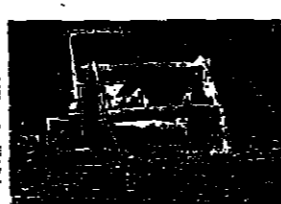


The search for  
Challengers to  
Coke and Pepsi



One beer state

Taiwan's monopoly  
under pressure



Company of the year  
Maritime Pacific  
International Finance



Russia's tax haven  
Offshore dreams in  
the Caucasus

# FINANCIAL TIMES

Europe's Business Newspaper

WEDNESDAY AUGUST 24 1994

D8523A

## Sharif warns India over Pakistan's atomic weapons



Nawaz Sharif (left), Pakistan's opposition party leader and former prime minister, warned that his country had the atomic bomb. Addressing a rally at Neelabhatt in the Pakistan-controlled part of Kashmir, which is disputed between India and Pakistan, Sharif said an attack on his country by India could trigger a nuclear war. Some officials said Mr Sharif's statement could be meant to embarrass the government on both home and foreign policy fronts.

## Benetton racing team signs deal with Renault

Benetton Formula, the leading grand prix racing team this year, is ending its eight-year partnership with Ford, its engine supplier, in favour of forming a new alliance with Renault. The French carmaker announced yesterday that it had reached agreement to supply Formula One engines to the Benetton team for three years starting in 1995.

**Body Shop International**, the UK-based cosmetics and toiletries retailer, is under investigation by the US Federal Trade Commission over its franchise operations in North America. Page 12

**Bad debts hamper Lloyd's**: Bad debts and declining investment returns will hold back the expected recovery in profits at Lloyd's, according to Chatet, the company that monitors the London insurance market. Page 12 and Lex

**Doubt over N Korean leader**: The delay in the official appointment of Kim Jong-il to the top leadership positions in North Korea is fueling speculation in Seoul that his assumption of power may be in trouble. Page 12

**Volkswagen chairman Ferdinand Piëch** was accused of playing "malicious tricks" on his competitors after his gloomy views on market prospects hit German car shares. Page 13; World stocks, Page 30

**Crédit Lyonnais**, the troubled state-owned French bank, confirmed it was preparing criminal charges of financial impropriety against former executives of its loss-making associate company, International Bankers. Page 13

**NFC chief quits**: Peter Sherlock has resigned after just 18 months at the helm of the UK's largest transport and logistics group, NFC, and could receive up to £750,000 in compensation. Page 13; Lex, Page 12

**US telecoms war**: US long-distance telecoms operators are engaged in intense competition to provide core services. Page 13; Lex, Page 12; BT makes smart card investment. Page 6

**Zedillo set to dominate Mexican Congress**: Mexico's ruling party is set to win large majorities in both houses of Congress after Sunday's elections, giving Ernesto Zedillo's administration legislative control at least until the congressional elections in 1997. Page 4; Editorial Comment, Page 11

**US ends duty on Canadian lumber**: The US has ordered an end to collection of duty on imports of Canadian softwood lumber, but it has yet to agree to return an estimated \$450m-\$500m in duties which a bilateral dispute settlement panel said had been wrongfully collected. Page 4

**Russia tackles armed forces corruption**: Russian prime minister Viktor Chernomyrdin is preparing an all-out attack on corruption in the armed forces, Sevodnya, a leading Moscow daily, reported. Page 2

**Nigeria appoints new military chiefs**: Nigeria's head of state, General Sani Abacha, announced new chiefs of the army and navy following last week's crackdown on opposition. Page 3

**Japanese job security row**: A conservative cabinet member in Japan's new coalition government traded insults with the head of the employers' federation in a debate over the future of lifetime employment in Japanese industry. Page 3

**Shine goes off bonuses**: The UK government has closed a tax loophole which allowed companies to pay employees in diamonds or fine wines in order to avoid National Insurance contributions. Page 6

**IRA London bomb claim**: The IRA said it planted the bomb found in London's Regent Street on Monday.

STOCK MARKET INDICES		STERLING	
FT-SE 100	3,175.1 (+3.6)	New York Composite	2,985.7 (+2.7)
Yield	5.97	London	1,548.5 (+1.4)
FT-SE Smallcap 100	1,247.76 (+6.45)		
FT-SE All-Share	1,532.41 (+0.1%)		
Nikkei	20,380.78 (+13.80)		
New York Composite	2,985.7 (+2.7)		
Dow Jones Ind. Ave.	3,776.15 (+34.33)		
S&P Composite	466.07 (+2.79)		
US DISCOUNT RATES		DOLLAR	
Federal Funds	4.75%	New York Composite	2,985.7 (+2.7)
3-mo Treas. Bill	4.675%	London	1,548.5 (+1.4)
Long Bond	5.95		
Yield	7.52%		
LONDON MONEY		DOLLAR	
3-mo interbank	5.1%	New York Composite	2,985.7 (+2.7)
Libor 3m bid	5.1%	London	1,548.5 (+1.4)
Libor 3m ask	5.1%		
NORTH SEA OIL (August)		DOLLAR	
Brent 15-day (Oct)	\$19.93 (+1.7)	New York Composite	2,985.7 (+2.7)
WTI	\$18.45 (+1.7)	London	1,548.5 (+1.4)
Gold	\$382.5 (+2.7)		
New York Gold (Dec)	\$382.5 (+2.7)		
London	\$382.5 (+2.7)		

Asia	SE Asia	China	India	Japan	UK	US	Other	FTSE 100
Bahrain	21.20	10.50	10.50	10.50	10.50	10.50	10.50	3,175.1
Bangladesh	10.50	10.50	10.50	10.50	10.50	10.50	10.50	
Bulgaria	10.50	10.50	10.50	10.50	10.50	10.50	10.50	
Cyprus	10.50	10.50	10.50	10.50	10.50	10.50	10.50	
Czech Rep.	10.50	10.50	10.50	10.50	10.50	10.50	10.50	
Denmark	10.50	10.50	10.50	10.50	10.50	10.50	10.50	
Egypt	10.50	10.50	10.50	10.50	10.50	10.50	10.50	
France	10.50	10.50	10.50	10.50	10.50	10.50	10.50	
Germany	10.50	10.50	10.50	10.50	10.50	10.50	10.50	

## Bidders shy away from HK property market

By Louise Lucas in Hong Kong

For the first time in a decade, the Hong Kong government auctioneer heard only silence yesterday when a plot of public land was put on the block. And for two other prime lots, after almost 10 minutes of bid-less interest, China came to the rescue with a face-saving offer.

The result of the auction was as much about troubled relations between the Hong Kong government and developers, as it was about longer-term confidence in the territory's property market. But the unusual silence spooked Hong Kong stock prices, with the Hang Seng index losing 2.36 per cent on the day.

The auction hall was packed, as it generally is for the regular government

sell-offs, but the biggest property developers opted to send middle managers rather than the senior officers who typically attend. To some observers, their absence indicated an intention to protest against government attempts to influence property prices.

But the lack of bids also stirred fears about the fate of Hong Kong property prices, which have fallen by at least 12 per cent since their peak of March. The mood has shifted after an estimated 300 per cent leap in prices during the past three years.

Analysts who argue that the market is not ready for a real fall, say the present turbulence results from the tension between the government and the developers since plans were announced to

cool the market in March by increasing the flow of land. This tension has been heightened by a corruption investigation against leading property developers.

Yesterday's auction was, in effect, left in the hands of one bidder, Chinese-backed Citic Pacific, which clinched two plots at the opening bids of HK\$950m (US\$123m) and HK\$220m - sharply less than market expectations, which were as high as HK\$1.2bn for the first plot, a residential site which Citic plans to develop into around 300 flats.

Citic's role was a positive sign for some observers who interpreted it as a vote of confidence from China in Hong Kong's long-term prosperity. Last month's auction saw another mainland-backed company, China Travel, bid

aggressively, highlighting China's vested interests in the territory, over which Beijing will take control in 1997.

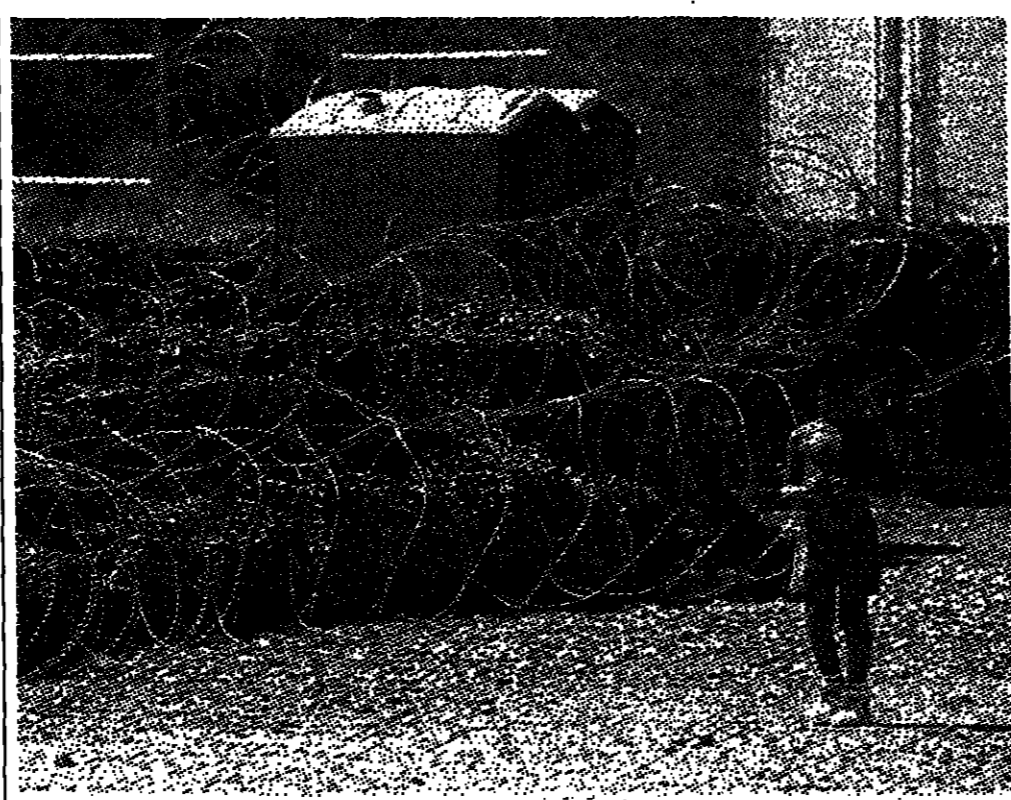
Mr John Corrigan, the auctioneer, stressed that one Tuesday auction was not wholly indicative of the outlook for the property market, but confessed to being "a little disappointed". He attributed the poor response to a rise in interest rates - Hong Kong banks put up their main lending rate by 50 basis points to 7.75 per cent last Friday - and a cautious attitude among developers.

"It is confirmation that some of the heat has gone out of the market," he said. But there was at least one happy man, Citic's managing director Henry Fan. "It was a pleasant surprise," he said. "We never expected the complete non-exis-

tence of competition. We seldom have the chance even to put our hands up."

The tension between the government and Hong Kong developers is unlikely to end quickly. The colony's Independent Commission Against Corruption is seeking to establish whether developers colluded at a May land auction to divide up lots among themselves and minimise their outlays.

But analysts fear that the investigation and attempts to control developers could harm the property and financial markets. About 65 per cent of the Hang Seng index is linked to the property market, and with some private forecasts of falls of 50 per cent or more in property prices, bidding silences could become all the more eerie.



Cuban refugee Roberto Santoro, 5, walks past a row of barbed wire at the Camp Buckleby detention centre at the Guantanamo Bay naval base. Cuban exodus to US increases. Page 4

## Deal close on 'fast-track' authority

# US Congress set to increase controls over trade issues

By Nancy Durne in Washington

US trade officials are nearing the end of intense discussions with Congress, the president will have to notify Congress 60 days before starting formal trade negotiations. During that time either house may disapprove of the proposed negotiation by majority vote.

Before signing an agreement, the president must notify Congress. The president has to give 120 days notice in order to allow private sector advisers 45 days to submit reports evaluating the agreement.

After three years, the president must request a three-year extension of the fast-track to December 15 2000. The advisers must also submit their views.

The administration has also been forced to eliminate environment and labour concerns from the negotiating objectives proposed in the fast-track. These were contained in the previous fast-track authorisation in 1988, but were played down by the Republican administration. However, Mr Clinton's pursuit of these objectives in side agreements to the North American

Free Trade Agreement has since alarmed the business community and free trade Republicans.

Although removed as fast-track objectives, environment and workers' rights have remained in the body of the Uruguay Round implementing legislation.

"The administration believes that these issues are appropriate to be included as part of future negotiations with prospective trade partners, but believes that an approach should be worked out with Congress and the representatives of the private sector on a case-by-case basis," according to the proposed working.

However, the administration has promised not to negotiate agreements which authorise sanctions against trading partners on environmental or labour practices "in the absence of bipartisan Congressional support". In the negotiations on the implementing legislation for the Uruguay Round, congressmen have been approving measures to strengthen the US anti-dumping regime, which many trade lawyers regard as an alternative form of protectionism.

## Russians defend the rouble with a flood of US dollars

By John Thornhill in Moscow

Russia's central bank made its most forceful intervention in the history of Moscow's infant currency exchange yesterday when it flooded the market with US dollars to counteract a slide in the rouble.

The central bank's action appeared at odds with recent government moves to lower interest rates and extend credits in response to lobbying from cash-strapped companies. Russian officials suggested a rift in monetary policy might be developing between different government departments.

A cut in the three-month refinancing rate from 150 to 130 per cent on Monday unsettled the rouble, raising concern about further monetary loosening at a time when the government's fiscal position is under strain.

Increased government spending and a softening of its position on credits to industrial enterprises and farms has also raised inflation worries.

The central bank, which has been trying to cultivate a reputation as guardian of the rouble, succeeded in stabilising the currency yesterday. In turnover of \$131m - twice the previous record trading level in Moscow's currency market - the rouble rose slightly on the day to end 10 roubles higher at 2.161 roubles to the US dollar.

Over the past month, however, the rouble has fallen 6 per cent. Economists were divided about the merits of the interest rate cuts. Some suggested that the cut in the refinancing rate - the seventh this year - simply brought it into line with other interest rates. "This does not represent a

## Improved earnings signal Swedish banking recovery

By Hugh Kearney in Stockholm

A sharp fall in the loan losses which threatened to cripple Sweden's banking system 18 months ago, has helped two leading commercial banks, Skandinaviska Enskilda Banken and Svenska Handelsbanken, report a strong improvement in first-half earnings.

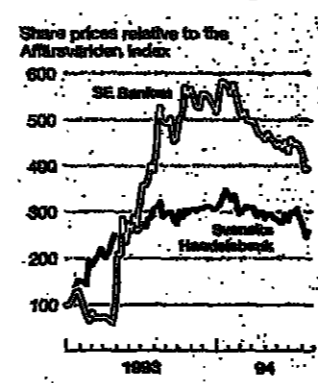
Handelsbanken, the only bank to survive the crisis without appealing for state aid, announced a threefold rise in operating profits, to SKr2.3bn (\$306m) from a surplus of SKr768m last time, as loan losses tumbled 60 per cent from SKr3.65bn to SKr1.45bn.

At SE-Banken, which a year ago dropped an application for state assistance as its performance recovered, the swing was even larger. It posted a profit of SKr2.22bn after a loss in the first half last year of SKr298m. Its loan losses, at SKr2.95bn, were 43 per cent lower than the SKr5.15bn in the same period last year.

The figures were further evidence that economic recovery and lower interest rates, compared to 1992 and early 1993 when the crisis hit, have enabled the banks to overcome much of the damage done to their loan books by over-exposure to overheated property markets.

Handelsbanken said its total of problem loans after provisions had fallen to SKr7.95bn from SKr13.25bn a year ago, and now accounted for 2.9 per cent of lending volume, compared to 4.4 per cent. SE-Banken's problem loans after provisions totalled SKr10.65bn a year ago. They accounted for 4 per cent of all loans, compared to 6.9 per cent.

Although the worst of the loan-loss flood has been stemmed, Handelsbanken stressed the level



Share prices relative to the All-Share index

Source: Deloitte

of credit losses - in its case about 1 per cent of annual lending - was still above "normal" levels of around 0.5 per cent. The level at SE-Banken was 1.97 per cent.

Meanwhile, both banks reported a weaker underlying performance for the period, as net interest income was hit by low lending volumes, narrow margins and loan returns from poor trading. Net interest income at Handelsbanken was down 15 per cent at SKr4.29bn, compared to SKr5.03bn. Despite a 13 per cent rise in commission income to SKr1.5bn, the profit before loan losses fell 14 per cent from SKr4.26bn to SKr3.76bn.

Profits before credit losses were up 7 per cent at SE-Banken, to SKr5.16bn from SKr4.85bn. However, the result was distorted by gains from disposals, which raised non-interest and non-commission income to SKr1.87bn from SKr1.28bn. Net interest income fell 7 per cent to SKr4.29bn from SKr4.58bn, and commission income slipped to SKr3.6bn from SKr3.25bn.

Handelsbanken said rapid growth in its Swedish kronor surplus liquidity, stemming from the low loan volumes, had led to a big rise in its holdings of government securities and bonds.

## Did you have the vision to spot this?

### CINVen tops list on cash for buy-outs

CINVen has been named as lead equity arranger in major British buy-outs over the past three years. CINVen, which manages funds for British Coal, British Rail, Barclays and Royal Life Insurance, was involved in deals worth £465m from 1991 to 1993, according to Acquisitions Monthly.

CINVen's total is over double that of its nearest rival, Candover, which completed six buy-outs worth £207m in the period. The figures comprise major buy-outs and buy-ins whose total funding value is over £5m.

Daily Telegraph 12.8.94

Having the capital to back a big idea is only half the secret. Having the vision to spot one is the other half.

CINVen

CINVen Ltd is a member of BAFI



## Japan minister on attack over short-term jobs

By Gordon Cramb in Tokyo

A conservative cabinet member in Japan's new coalition government yesterday fired insults at the leader of the employers' federation in an unusually vitriolic debate over the future of lifetime employment in Japanese industry.

Mr Shizuka Kamel, transport minister, backed away from a battle with the country's airlines over hiring policies, rescinding a ruling which had halted plans by the carriers to recruit most new cabin crew on short-term contracts. In a televised press conference, he acknowledged he had no powers to intervene.

He added, however, that the defence of the scheme by Mr Takeuchi Nagano, president of the Nikkeiren, the federation of employers' associations, suggested Mr Nagano cared little for job security.

The minister claimed Mr Nagano epitomised "the thinking of 19th-century management, which doesn't give a damn about safety, pollution, security of jobs or the rights of workers". Mr Kamel alleged: "His top priority is profits and that gives me great concern". At a Nikkeiren seminar last week, Mr Nagano expressed disquiet over prospects for economic reform under the new government, saying that for Japan to emerge from its longest post-war recession, wages and prices must be reduced.

While agreeing that employment security should remain a prime concern of Japanese industry, Mr Nagano noted that prospects for women job-seekers were poor and the JAL plan to recruit contract stewardesses would benefit them as well as the company. He implied that Mr Kamel had an axe of his own to grind.

Mr Kamel comes from the right wing of the Liberal Democratic party, conservative partner in the three-party coalition which took power at the end of June. Many in the LDP regard Japan's taboo on lay-offs as essential to corporate loyalty and a cornerstone of the post-war economic success which took place under its rule. Job security is among the

Most Japanese companies believe they have made the adjustments to their workforces necessary to cope with the high yen, according to a survey released by the labour ministry yesterday, Gordon Cramb writes.

Of about 1,000 employers it polled in mid-July, only 4 per cent said they had taken steps to shed jobs since the currency began its renewed climb in June. A further 5 per cent were planning such measures.

A previous survey conducted last August, when the yen first touched the ¥100 level against the US dollar, showed 10 per cent of companies had taken recent action and a further 10 per cent intended to do so if the exchange rate stayed at current levels.

Areas of common ground in the LDP's alliance with the left-wing Social Democratic party of Mr Tomiichi Murayama, the prime minister.

Japan Airlines is seeking to cut costs by hiring an initial 100 stewardesses on hourly pay which would be equivalent to perhaps a third of that enjoyed by its salaried flight attendants.

JAL received 2,500 applications but could not proceed because Mr Kamel, invoking worries about how the two classes of employee would co-operate in the event of an in-flight emergency, threatened to decline new route applications if the plan went ahead.

Mr Nagano did not respond yesterday to Mr Kamel's outburst. The employers' leader is chairman of Mitsubishi Materials, a producer of metal products, electronics and cement which fell into loss last year. The pollution bar will jog memories of a Texas copper smelter project his company shelved after problems with US environmental regulations.

JAL could not say last night if it would revive its plan, but it needs new cabin crew to service domestic flights from Kansai Airport, opening near Osaka next month. JAL has been shedding staff through voluntary redundancy.

## Pakistan 'has atomic bomb'

By Farhan Bokhari in Islamabad

Mr Nawaz Sharif, the Pakistani opposition leader, yesterday unleashed what could be the beginning of another round of controversy over the country's secret nuclear programme.

Addressing a public rally in the Pakistan-controlled state of Kashmir, Mr Sharif announced that the country possessed an atomic bomb, according to the Pakistan Press International news agency.

Some officials said that Mr Sharif's statement could be meant to embarrass the government on both home and foreign policy fronts. In recent years, Islamabad's relations with a number of western countries, especially the US, have been strained over the nuclear issue.

Washington cut off its large economic aid and weapon supply programme to Pakistan last 1990, following charges that Islamabad had acquired the capability to produce nuclear weapons. A \$1.4bn deal involving the sale of up to 71 F-16 fighter aircraft is still on hold, after the Bush administration stopped the delivery under pressure from the non-proliferation lobby.

Pakistan has refused to open its nuclear facilities for international inspection on the grounds that any such move must also involve India, its neighbour and arch rival.

Islamabad concedes that it has a nuclear weapons programme but insists that its only for "peaceful purposes".

"We have the technical capability with which we could develop nuclear weapons but we have taken a sovereign decision not to do so," said a foreign office spokesman in Islamabad, last night, responding to questions about Mr Sharif's claim.

Other officials said Mr Sharif's statement could be linked to an intensifying government opposition rift. He plans to begin a nationwide campaign by train next month in an effort to mobilise support for the government's removal.

He blamed Mr Benazir Bhutto's government for failing to seek international support for its case on the Kashmir conflict which has led to war between India and Pakistan on three occasions in the past 47 years. He said that a clash between the two countries could trigger a nuclear holocaust as both possessed nuclear weapons.

## India's airport Customs men are no longer ogres

Stefan Wagstyl finds getting through the green channel is easier, but problems remain

Three years after the start of economic liberalisation, the customs men at Delhi's international airport have done their best to adapt to deregulation.

Before, the protection of the globe's most repressed economy outside the communist world required that officials treated travellers with the greatest suspicion. Dressed in white military-style uniforms, the customs men were lords of all they surveyed.

Anyone carrying a videocamera or computer had to have serial numbers indelibly written into their passport, to ensure the item was not sold in some black-market bazaar. Home-bound visitors who came to the airport without a declared item had to write a long letter of explanation and apology, and hope customs officials would read it before the flight was called.

Today, officials are prepared to take

on trust visitors bearing a modest amount of luggage, though almost every bag is still X-rayed. The customs men remain suspicious of anyone carrying two or more of any high-priced piece of electronics. "This is my camera and that's my wife's," is not an explanation they like to hear. Armed with the latest price lists from Sony and Toshiba, they know the exact cost of your new portable compact disc-player, even if you seem to have forgotten.

As far as the casual visitor to India is concerned, there is no comparison with what went before. As one customs man says: "The green channel is now a mile wide".

Over at the cargo terminal change is rather less discernible. On first arriving in Delhi two years ago, I was not aware of the complexities of Indian bureaucracy, I went into the cargo terminal to collect a shipment of

clothes. Having obtained from the airline office a vital document called a delivery order and then strolling over to the customs hall to pick up my cases, I asked a customs man where to collect the shipment. He laughed and said: "Sir, you have completed stage one of a 12-stage process".

This week, I discovered the process still consists of 12 stages, when going to collect another shipment, mainly food for my three children who pine for tuna fish and baked beans. Those who find it bizarre that anyone could go to the trouble of flying tuna fish and baked beans around the world have never lived in a closed economy.

The passage through customs takes place inside an enormous warehouse, in which travellers' possessions are stored behind metal fences. At one end there is a gate, near which are the offices of the many officials to whom the visitor must report before

he can claim his baggage. In summer the building is stiflingly hot, except for the officials' glass-walled cabins which are cooled by air-conditioning to a few degrees below zero.

The International Airports Authority of India (IAAI) offers travellers a guide through the maze of desk and counters. First, obtain the delivery order, says the IAAI. Then file the baggage declaration form; obtain the location slips; obtain the shipment from IAAI staff; complete the customs inspection; return the shipment to IAAI staff; pay the duty; obtain an "out-of-charge" form from customs against a duty payment receipt; obtain a bank chalan from the IAAI; pay the IAAI charges; obtain an IAAI gate pass; present customs-cleared documents to IAAI staff; take delivery of the shipment from IAAI; pay octroi (local transport tax).

I am still not sure what a chalan is, as it gets buried in all the other documents one must carry around from one counter to another. The greatest importance is attached to paperwork. A wrong number on any of the documents needed to gain access to one's goods can mean long delays. The officials are not in the least irritated by the mind-numbing tedium of their work; they know perfectly well that lots of rules means lots of jobs for airport staff.

After two and a quarter hours, my shipment is delivered to me on a trolley. It is quarter to one in the afternoon and I am the first person to leave the warehouse that day. I sign one record book to acknowledge receipt, and the trolley moves forward five yards. I sign another record book and the warehouse guards lift the chain which bars the warehouse entrance. At last I have access to the tuna and baked beans.

## New chiefs are named for Nigeria's army and navy

## Abacha seeks to bolster hard line

By Paul Adams in Lagos

Nigeria's head of state, Gen Sani Abacha, has restructured the military high command following his crackdown on civilian opposition last week that widened the ethnic divide between the north and south-west of the country and exposed divisions within the armed forces.

The government announced new chiefs of the army and navy on Monday night in an effort to bolster Gen Abacha's hard line against failed opposition leader Mr Moshood Abiola and the banned leaders of the striking oil workers' unions. (They were reinstated until August 31 by a federal high court judge yesterday who said he would hear an appeal against their dismissal on that date.)

The changes are likely to be followed shortly by a reshuffle in the civilian cabinet.

Maj Gen Mohammed Chris Alli, a Christian from the Middle Belt of

Nigeria and reputed to be a political moderate, has been replaced by Brig Gen Alwali Kazir, formerly commander of a northern army division. Rear Admiral Allister Madueke, an Ibo who fought for the rebel Biafrans in the 1967 civil war, is succeeded as head of the navy by Commodore Mike Akhigbe, a former military governor of Lagos state.

There is strong speculation Gen Abacha will replace Lt Gen Oladipo Diya as chief of general staff.

Along with one third of the armed forces, Gen Diya like Mr Abiola is a member of the southern Yoruba tribe and was expected to press hard for the regime to accommodate the different interest groups in Nigeria and move quickly towards democratic rule. His position as number two has been circumvented by Mr Aminu Saleh, secretary to the government, who is seen as an advocate of political domination by the north.

After 24 years of army rule, the

Nigerian armed forces' main role is political rather than military and although most troops and technically skilled personnel are drawn from the south and the Middle Belt, a minority of northern officers remain a dominant influence in the army and in the key intelligence services.

The government has taken a tough political stand against the economically powerful south-west. Lagos is the main port, the centre of banking and commerce and the base for more than half of manufacturing industry.

The army has a nominal strength of 62,000. There are four army divisions in the west, east and north of Nigeria which are at operational strength, and a battalion of presidential guards in Aboja. Military analysts say that most other units are under-strength, under-equipped and under-trained. Morale is low and repeated late pay has been partly alleviated by the military's lucrative share in fuel distribution since the oil workers' six-week

strike left most filling stations dry. The hardened stance by the Abacha government appears to rule out any dialogue or compromise with Mr Abiola and those who support his claim to form a civilian government. In a speech last week, the head of state said would not drop the charges of treason against Mr Abiola, who faces trial again in Abuja on August 28.

Maj Gen Alli and Rear Admiral Madueke were key members of the military junta which helped Gen Abacha to oust interim civilian president Ernest Shonekan last November and force out of power the remnants of ex-president Ibrahim Babangida's closest allies remaining in the armed forces.

After the annulment of Mr Abiola's victory in last June's presidential poll, then president Babangida appointed Gen Alli as head of a committee of inquiry into the issue. The committee reported that the best way out of the political impasse was to



Abacha: may move his chief of staff

declare and uphold the results of the June elections.

This view had widespread support among the armed forces, most whom voted for Mr Abiola, the Yoruba candidate from the south-west, even in the presidential brigade of guards in Abuja, according to military sources.

As Gen Abacha acknowledged, there is still a ground-swell of support for democracy in the armed forces.

## S Africa cautious on scrapping currency controls

By Mark Suzman in Johannesburg

Liberalisation of South Africa's exchange control regulations will not be possible until the country gets an international credit rating, Mr Chris Stals, governor of the Reserve Bank, said yesterday.

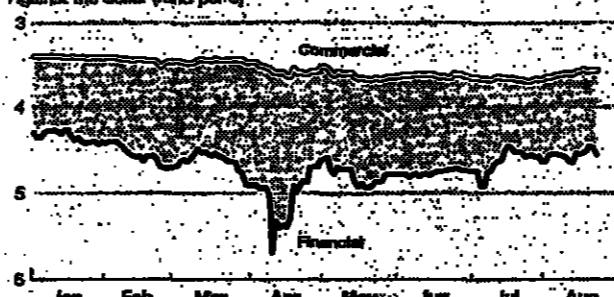
Delivering his annual report in Pretoria, Mr Stals said it was clear the existing system would have to be scrapped to ensure sustainable, long-term growth for the country.

"In the long run and in the interest of future economic growth, South Africa must liberalise its foreign exchange market and revert to a system of unitary floating exchange rates," he said.

However, Mr Stals noted that in other countries exchange

### South African rand

Against the dollar (rand per \$)



Source: Datamatrix

controls were abolished only as part of a macro-economic restructuring programme, often with the help of international institutions, and that at the very least South Africa

must wait until it had full access to international capital markets.

South Africa's two-tier currency complies the commercial rand, used for all regular

balance of payments transactions, and the financial rand, used by foreigners as a discounted investment currency. Exchange restrictions have been in place since the 1960s.

"The abolition of exchange controls in isolation without any supportive measures may cause serious disruptions in the initial phase of the transition and force the reintroduction of old controls, or even the application of other new direct controls over markets, all of which may be more damaging to the economy," he said.

South Africa has appointed Goldman Sachs, the US investment bank, to help it get an international credit rating from the main agencies, a process expected to be completed by October.

In addition, Mr Stals reiter-

ated his previously stated preconditions for the scrapping of the financial rand, including a narrowing of the differential between the two exchange rates and a rise in foreign reserves, currently able to cover only five weeks' imports.

In recent months, continued speculation over demise of the investment currency has led to severe gyrations in its exchange rate, while fears over the inflationary pressures such a move might unleash have contributed to soaring government bond rates.

Responding to the recent upturn in the inflation rate, which rose in June to 7.5 per cent from a 21-year low of 7.1 per cent in April, Mr Stals signalled that the Reserve Bank would probably have to tighten monetary policy to help lower

inflationary expectations and cautioned the new government against trying to increase spending.

"Many of us have a desire to force-feed the economy beyond its actual potential and to exert pressure on the monetary system to accommodate these desires by simply creating more money," he warned.

Mr Stals also said that while he was confident the country's capital account would continue to improve, it would be "naïve" to believe that huge amounts of capital would flow into the country even if exchange controls were lifted. Social and political stability, economic viability, sound fiscal and monetary policies and productivity improvements were of even greater importance for most foreign investors.

### NEWS IN BRIEF

## UN push to get Rwandans home

The UN hopes to mount its biggest-ever human rights operation in an attempt to persuade millions of Rwandan refugees to return home, Frances Williams reports from Geneva.

Despite appalling conditions in the overcrowded camps in neighbouring Zaire and elsewhere along Rwanda's borders, the 2.1m mainly Hutu refugees have so far been reluctant to go back to Rwanda for fear of reprisals from the Tutsi-dominated Rwandan Patriotic Front government.

Under a proposal by Mr René Degni-Ségui, special UN human rights rapporteur for Rwanda, which has been accepted in principle by the RPF government, up to 200 human rights monitors would be deployed throughout Rwanda to ensure there were no such reprisals, and to help investigate the massacres of some 500,000 civilians, mainly Tutsi, by supporters of the former Hutu-led administration.

Mr Boutros Boutros Ghali, UN secretary-general, has asked the committee of legal experts charged with collecting evidence on violations of international humanitarian law to report their findings by the end of October. This could be followed by a UN decision to set up an international tribunal to try the guilty.

In his second report on human rights violations in Rwanda released yesterday, Mr Degni-Ségui expressed concern that Radio Télévision Libre des Mille Collines, operated by the former Rwandan government, was still urging Hutus to leave Rwanda and was threatening reprisals against those who returned. Only about 100,000 refugees have so far gone back. Apart from those outside Rwanda, 1m-2m people remain displaced within the country.

### Sony to invest in India

Sony, the Japanese consumer electronics group, is planning a \$10m investment in India to market and make colour TVs, broadcasting equipment, software and other high-tech products, Stefan Wagstyl reports from New Delhi.

The company, which secured approval for its proposals this week from the Indian government, intends to start local production of television tubes and other components over the next three years.

Sony has yet to announce details of its investment programme, which is modest in an industry in which a single large factory can cost \$100m and more. But Sony's decision will be a boost for India's economic liberalisation policies.

The relevant government committee has approved 65 projects which together envisage foreign investment totalling Rs8bn (£102m). Other proposed ventures include a co-operation between the state-owned Indian Telephone Industries and NKT Electronic of Denmark to make fibre optic transmission systems.

### Ozone destruction continues

Destruction of the earth's protective ozone shield is continuing in both southern and northern hemispheres, according to the World Meteorological Organisation, Frances Williams reports.

The WMO says that in March this year, ozone levels over western Europe were 10-20 per cent below normal. For the winter-spring 1994 period, levels over the entire northern hemisphere averaged 2-3 per cent below seasonal long-term values. While this did not match the record ozone deficiency of 17 per cent in February and March 1993, the WMO says the cumulative ozone decline since the 1970s over the northern hemisphere is continuing.

In the Antarctic, which experienced the worst-ever ozone "hole" in autumn 1993, ozone levels also fell well below normal (for pre-ozone "hole" years) between February and April 1994.

### Mandela plea on Lesotho

Lesotho's king must reinstate the democratically elected government he ousted last week, South African President Nelson Mandela said yesterday, Reuters reports from Cape Town.

King Letsie III's representatives failed to make their case to Mr Mandela and other African leaders gathered at a summit in Gaborone, Botswana. After returning from Botswana, Mr Mandela said King Letsie and Prime Minister Ntsu Mokhele would attend a meeting in South Africa tomorrow.

"We feel the government of Prime Minister Ntsu Mokhele must be reinstated and it is on this basis that we are going to have a discussion with both parties," Mr Mandela said.

Last week, Mr Mandela and President Robert Mugabe of Zimbabwe appeared to rule out military intervention in Lesotho. King Letsie was also facing mounting pressure at home. Lesotho businesses observed the second day of a general strike to protest against the government's dissolution. Shops were closed and school children stayed away from classes.



Women forced into wartime sex slavery by the Japanese Imperial Army demonstrate in Manila yesterday

## Philippine sex slave protest greets Japanese premier

Japanese Prime Minister Tomichi Murayama arrived in the Philippines yesterday to be confronted by angry women demanding compensation for being used as sex slaves in the second world war, Reuters reports from Manila.

Police kept about 50 of the women, waving banners demanding "Compensation Now", more than 100 metres from the luxury Manila Hotel where Mr Murayama was staying. The women are demanding \$200,000 (\$150,000) each in compensation. They were led by Ms Rosa Hansen, the first Filipina to end decades of shamed

silence in 1992 and tell of her experience as one of 200,000 women forced to work as prostitutes for Japanese soldiers.

Mr Roberto Romulo, the Philippine foreign minister, told reporters the comfort women issue would be discussed when Mr Murayama and President Fidel Ramos hold formal talks today. Mr Murayama is expected to repeat apologies for Japan's wartime atrocities as well as discuss economic and security issues with leaders of the Philippines, Vietnam, Malaysia and Singapore during a week-long swing through the region.

Mr Ramos will seek to boost trade with Japan and ask for an increase in official development assistance to the Philippines, which amounted in 1993 to \$721.5m. Japan, the Philippines' leading donor, recently pledged \$1.5bn in assistance for 1994. Total trade between the two countries reached \$5.5bn in 1993, up by 20 per cent from the previous year. About 200,000 comfort women, most Koreans but also Filipinas, Chinese, Taiwanese, Indonesians and Dutch, were forcibly recruited by the Japanese army in the war to provide sex for their troops.

## NEWS: THE AMERICAS

## Mexico's PRI to gain strong grip on Congress

By Damian Fraser in Mexico City

Mexico's ruling party is set to win large majorities in both houses of Congress after Sunday's elections, giving the incoming administration of Mr Ernesto Zedillo control over the legislature at least until the next congressional elections in 1997.

The Institutional Revolutionary party had by yesterday morning won about 49 per cent of the presidential

and legislative vote, with 65 per cent of polling booths counted. With votes still to be counted in many of the PRI's rural strongholds, its final vote is expected to climb towards or above 50 per cent.

The PRI was ahead in 269 of the 300 directly elected seats in the lower chamber, the House of Deputies. Under Mexico's electoral system, the PRI will be awarded enough indirectly elected seats to raise its

representation to 300 of the total 500 seats in the lower house.

The centre-right National Action party will be the second largest party in Congress.

However, the PRI's 60 per cent majority in the lower house will not be sufficient to change the constitution without support from at least one of the main opposition parties.

In the Senate the PRI was ahead of the opposition in 31 of the 82 states,

including Mexico City, and behind the PAN in the state of Jalisco, with half the votes counted. The PAN was placed second in 23 states, and the leftist opposition Party of Democratic Revolution in nine. On these figures, the PRI would have 94 of the 128 Senate seats, the PAN 25, and the PRD 9.

In Chiapas, the only state which held an election for governor, the PRI was set for victory, according

to the local electoral authority.

Financial markets continued to react positively to the PRI's victory, which unlike the 1988 presidential elections, has not been marred by reports of large-scale irregularities. By mid-morning yesterday the principal stock market was up by 1.45 per cent, after yesterday's gain of 1.9 per cent.

Mr Cuauhtémoc Cárdenas, presidential candidate of the PRD, has

denounced the ruling party victory as illegitimate, but has yet to corroborate his claims of deliberate and widespread fraud.

Mr Cárdenas has called for a protest meeting in Mexico City's central square for this Saturday. On Monday he was joined by an estimated 15,000-20,000 supporters at a meeting denouncing the election, far fewer than his party had hoped for.

## Cuban exodus to US increases

By James Harding in Miami

Record numbers of Cuban refugees continue to make their way to the US despite the ban on entry announced by the Clinton administration last Thursday.

As the Navy assigned resources to support the overstretched Coast Guard to deal with what Mr William Perry, the defence secretary, has called a "tidal wave of people", the US State Department said it did not expect the new curbs to have an impact on numbers for "some several days".

The Florida Coast Guard picked up 2,548 people on Monday, a marked rise from a week earlier when, under the former immigration policy, 283 Cuban refugees were taken to Key West for registration with the Immigration and Naturalisation Service.

Although many of the Cubans now being picked up may have left unaware of the new policy, which refuses them entry to the US and ships them back to Cuba for detention at the US Naval Base at Guantanamo Bay, the Coast Guard has reported that many others are aware that they will be sent to detention camps.

State Department officials pointed to the introduction of an interdiction policy on Haitian refugees which took a week to 10 days to cause a fall in the numbers fleeing Haiti.

## Economy set to pick up tempo

But protests are a worry, write Stephen Fidler and Damian Fraser

Mexico may be emerging from the economic doldrums in which it has been languishing for two years. If opposition protests against the conduct of Sunday's election fizzle out or at least do not degenerate into violence, many private economists are likely to increase the forecasts for growth which they scaled down amid the political uncertainty of the first half of the year.

"If we can avoid a post-electoral conflict, things will really look up, especially on the investment side," said Mr Jonathan Heath, head of Macro Asesoría Económica, a Mexico City economic consultancy.

Already this year, growth has been unexpectedly high. In the second quarter, growth was 3.8 per cent compared with the same period of last year, leading to a first-half economic expansion of 2.2 per cent. Unusually for a Mexican government which has previously kept a tight rein on the budget,

the motor for growth has been government spending, up 27 per cent in the first half.

According to Mr Rogelio Ramirez de la O, who runs the Real economic analysis company, the government's new agricultural policy - which aims to replace guaranteed prices with direct income support to small farmers - injected \$3.8bn into the economy between February and June, alone equivalent to more than 1 per cent of GDP.

While for seasonal reasons, the public sector budget remained in surplus in the first half of the year, many expect a deficit by the year-end rather than the balance forecast by the government. Some analysts think this means that the ruling party's successful presidential candidate, Mr Ernesto Zedillo - who has promised a 25 per cent increase in public investment next year - may have to begin office in December by checking the momentum of government spending.

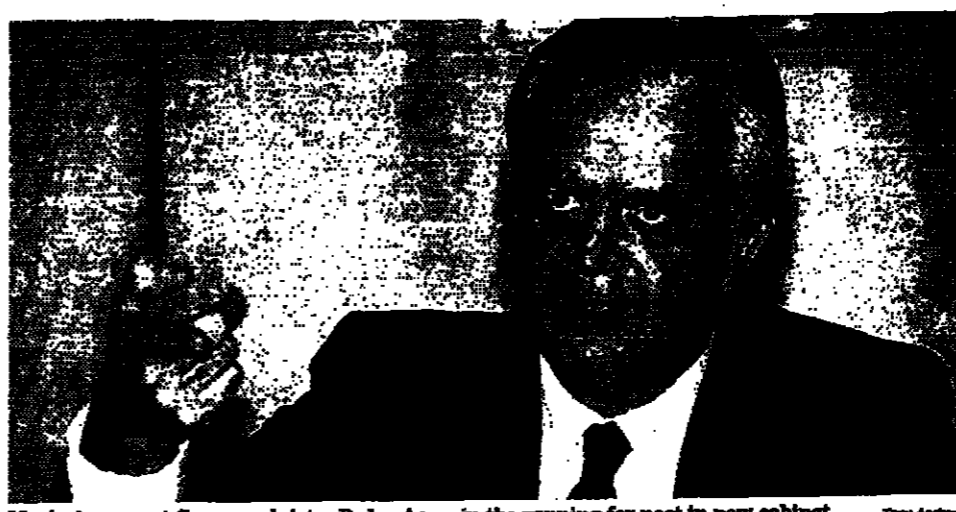
Foreign investment has held up remarkably well in the face of uncertainty, and many economists are expecting it to pick up significantly with a peaceful handover of power in prospect. Foreign direct investment, excluding foreign share purchases, reached \$3.3bn in the first half of the year, compared with \$4.9bn for the whole of last year. "Direct foreign investment could easily reach \$7bn in 1994," says Salomon Brothers in New York.

But growth of the country's trade and current account deficits remains a troubling feature to many economists - and underlines to some the overvaluation of the Mexican peso. Most economists appear to believe that a big devaluation is out of the question. President Carlos Salinas is unlikely to want to repeat the experience of his three predecessors, forced into panic devaluations in their last year of office.

With reserves perhaps around \$17bn - and assuming

an amenable environment in international markets - the question becomes not whether Mr Salinas can hold the exchange rate but whether it is sensible for him to do so. If a depreciation is considered desirable, the government is expected to push for it gradually, by increasing the daily slide of the peso against the dollar from the current 40 cents a day (or about 5 per cent a year) as part of the so-called *pago* in early September.

Mr Zedillo and his advisers are sure to have an important influence over content of the new *pago*, an annual agreement between business, labour and the government, especially if there is a decision to modify exchange rate policy. A former budget minister and central bank official, Mr Zedillo strongly supports the economic policies of the current administration, and there is expected to be co-operation between the outgoing and incoming administrations - especially in select-



Mexico's current finance minister Pedro Aspe: in the running for post in new cabinet

ing public spending priorities. The continuity in economic policy is likely to be underlined when Mr Zedillo chooses his economic cabinet. Mr Jaime Serra Puche, the trade minister and a friend of Mr Zedillo from when they were both students at Yale University, Mr Guillermo Ortiz, the deputy finance minister, and Mr Pedro Aspe, current finance minister, are in rough order of likelihood the three candidates most frequently mentioned as

the next finance minister. With inflation under control, Mr Zedillo and his economic team are likely to focus on improving efficiency of the economy over the next six years. Advisers say the new government will seek to remove unnecessary business regulations, improve functioning of the labour markets and commercial legal system, overhaul the health and social security system and continue to modernise the giant state

monopolies in oil and electricity, opening them up to more competition. But important as such reforms are, they are not expected to be the most crucial aspects of a Zedillo administration. "For the future I'm less worried about Hacienda [the finance ministry] and more worried about Gobernación [the interior ministry]. Politics will be to this administration what the economy was to the last," says Mr Heath.

## Cardoso gains in Brazil poll race

By Angus Foster in Brasília

Brazil's former finance minister, Mr Fernando Henrique Cardoso, has pulled further ahead in the presidential election race, according to an opinion poll published yesterday.

The poll, one of the largest yet carried out and published by the Folha de São Paulo newspaper, suggested Mr Cardoso was far enough ahead of his rivals to win outright in the first round of voting in October without a second round run-off in November.

The poll, which backs others published in recent days, gives Mr Cardoso the support of 40 per cent of the electorate. This compares with only 23 per cent for his nearest rival, Mr Luis Inácio Lula da Silva of the left-wing Workers' Party (PT).

Mr Cardoso's rise in popularity is almost entirely due to optimism over the Real, the country's new currency, which was introduced on July 1 and has led to sharply lower inflation. Mr Cardoso negotiated the currency and other measures through Congress, before resigning as finance minister

to run for president. Since the Real's launch, his support has more than doubled from 21 per cent. Support for Mr da Silva, universally known as Lula, has fallen during the same period from 38 per cent.

Mr da Silva's advisers hope his share of the vote has now stabilised and they can renew their attack on Mr Cardoso. But there is concern in the PT that the election will be over in the first round. Under Brazil's rules, the first round winner becomes president if he polls more votes than his combined competitors.

According to the latest poll, Mr Cardoso would win in the first round because Mr da Silva and the other challengers have a combined vote of only 38 per cent. This is the first time Mr Cardoso's lead over his combined competitors has exceeded the poll's margin of error of 2 per cent.

Mr Cardoso's rise has led to heady sessions on São Paulo's stock market. The Bovespa index made its seventh successive advance on Monday and has increased nearly 16 per cent in the last week. See World Stock Markets Page

## New Argentine constitution today

By John Barham in Buenos Aires

Argentina's President Carlos Menem and some 5,000 officials will today swear obedience to the country's new constitution. The ceremony promulgating it will mark the informal opening of campaigning for next May's presidential elections.

The 1853 constitution was amended mainly to allow Mr Menem to stand for re-election when his term ends next year. The previous constitution banned successive presidential terms. Lifting this ban became Mr Menem's overriding political aim of the past two years.

As well as allowing the president's re-election to a second, four-year term, the new constitution introduces a semi-parliamentary form of government, broadens the powers of Congress and gives the judiciary greater independence.

The constitution is Mr Menem's greatest personal achievement since his election in July 1989. Last December, he overcame the opposition of the Radical Party, led by former president Raúl Alfonsín, by promising a number of concessions in return for allowing his re-election.

The constitution incorporates referenda and entrenches a broad range of individual rights and declarations of principles. These include recognition of Indian lands and a restatement of Argentina's claim to the Falkland Islands.

Argentina has protested to Britain over the UK decision to extend a fishing

exclusion zone around the Falklands, a government spokesman said yesterday. British reports from Buenos Aires, Britain confirmed it was extending the zone to an area north of the islands known as the Gap.

Mr Guido di Tella, Argentine foreign minister, handed the protest to Britain's ambassador, Mr Peter Hall, on Monday. Mr di Tella later criticised remarks by British Home Secretary Michael Howard claiming there was "nothing to negotiate" over the islands.

London denies its decision to expand the fishing exclusion zone is related to Argentina's renewed claims over the Falklands. But Mr di Tella called the extension a tit-for-tat move.

## NEWS: WORLD TRADE

## US stalls on duty refund to Canada

By Nancy Dunne in Washington

The US Commerce Department has ordered an end to collection of duty on imports of Canadian softwood lumber, but it has yet to agree to return an estimated \$450m-\$500m in duties which a bilateral dispute settlement panel said had been wrongfully collected.

A US-Canadian appeals panel last month upheld an earlier finding that Canada's timber pricing and log export policies were not being subsidised. This reversed a finding from the US Commerce Department, which had led to the collection of countervailing duties.

Mr Ron Brown, the US commerce secretary, last week said the Commerce Department had "just the other day" ceased collecting duties and was "in the process of evaluating what our future course will be". A lawyer for the US timber industry said the bilateral panels which reviewed the US subsidy ruling had no legal authority to require repayment of duties.

Mr Roy MacLaren, Canada's trade minister, has demanded refund of the duties promptly and with interest.

A number of US senators -

including the majority leader, Mr George Mitchell, and Mr Max Baucus, chairman of the trade sub-committee - want the duties withheld until Canada agrees to change its timber pricing system. In a letter to Mr Brown, the senators said the issue of subsidised lumber had mistakenly become part of the Canada Free Trade Agreement. "Canada exploited this oversight, and the panel process has repeatedly misinterpreted US law," they said.

"As the US dissenters in the subsidies cases noted, the three Canadian members that directed the Department of Commerce to find that these subsidies were not actionable under US law exceeded their jurisdiction and usurped Congress' right to make US law."

However, they say, a long-term solution may now be possible because the Canadian provinces have essentially admitted that "enormous subsidies exist".

Withholding the duties could bring the parties to the negotiating table "to settle their differences".

The Canadian embassy said US officials might need authorisation from Congress before paying money back.

## Turkmen gas accord with Iran

The presidents of Iran and Turkmenistan were yesterday due to sign an agreement to allow the building of a \$7bn pipeline to carry Turkmen gas via Iran and Turkey to Europe, said Iran's oil minister Gholamreza Aqazadeh, Reuters reports from Tehran.

President Akbar Hashemi Rafsanjani of Iran and Saparmurat Niyazov of Turkmenistan met yesterday to put the final touches on the deal. They were today due to "break the ground at a site along the pipeline route south of Tehran," said Mr Aqazadeh, in a symbolic start to the project.

Mr Aqazadeh said the pipeline would take six to eight years to build, with the 1,450 km section in Iran costing \$3.5bn, half of which would be financed by Iran. The Iranian section would be transferred to Iranian ownership after 25 years, he said.

The pipeline, which will have an initial annual capacity of 15bn cubic metres, to be expanded to 28bn cubic metres in a second phase, is crucial for Turkmenistan whose former gas export routes through Russia were disrupted by the collapse of the Soviet Union. It will be by far Iran's biggest joint project with Muslim ex-Soviet republics. Turkmen, Iranian, Turkish, Russian and Kazakh officials will meet in Turkey in January to agree transit fees for Iran.

## Taiwan pressed on beer monopoly

The regulatory bureau must satisfy Gatt by dismantling its role, writes Laura Tyson

Political reform has ended the one-party system in Taiwan, but the island remains a one-beer state, thanks to Taiwan Beer, which contributes much of the \$28m (\$1.3bn) a year that goes to the government as a monopoly producer of alcohol and tobacco.

However, the Taiwan Tobacco and Wine Monopoly Bureau is now under pressure to satisfy the General Agreement on Tariffs and Trade by ending its regulatory role and dismantling its monopoly.

'Before 1987, Taiwanese never saw western products. Now they're more international in outlook - and they're wealthy'

The one-beer policy is a legacy from the 60-year Japanese colonial administration which began in 1895. Monopolies were established to control trade in opium, camphor, salt, tobacco, spirits, matches and petroleum.

When the then Nanjing-based Kuomintang government took control of the island in 1947, it commandeered all

breweries, wineries and distilleries and continued the Japanese administration's monopoly.

Imports are allowed, and on September 1, some 137 countries will be permitted to sell alcohol in Taiwan, compared with 122 at present. However, with Taiwan Beer made from rice, and thus quite different in flavour to western brews, traditional Asian alcoholic beverages made from sorghum and rice, as well as Japanese alcohol, remain banned. Japanese beer is sold in Taiwan, but only where it has been produced outside Japan.

Under this regime, the market penetration of imported beer is little more than 5 per cent, with Taiwan Beer accounting for around 94.5 per cent of sales in 1993, an annual production of 460m litres. However, Taiwan Beer's market share has fallen, from 96 per cent a year earlier, while beer imports rose by 82 per cent in the year to June 30 1994.

In fiscal 1994, the Monopoly Bureau's alcohol and cigarette sales raked in NT\$91.5bn (\$2.2bn), while net profits have yet to be released, they are expected to amount to some NT\$300m. The bureau's substantial earnings are divided between central and provincial government, with the former receiving 65 per cent and the latter 35 per cent.

Taiwan Beer produces four types of beer, in three brew-



eries: bottled lager, keg beer, canned beer and an unsuccessful dark beer marketed under the label Baodao ("treasured island"). A light beer was launched several years ago but discontinued due to poor sales.

The company has also revived plans to produce a low-calorie beer to compete with the influx of foreign rivals. Taiwan Beer contains 4.5 per cent alcohol and 2 per cent sugar. The new brew is to have 2.5 per cent alcohol and 1.5 per cent sugar. But the promotion and advertising of alcohol is currently highly restricted.

Advertising for foreign brands of beer is restricted to 120 magazine insertions per year per label. Importers of spirits are permitted to advertise in magazines for one year after the brand is first brought into Taiwan. Thereafter they

may not advertise. Television, radio, billboard or any other type of advertising or promotion is banned. The monopoly bureau does not advertise Taiwan Beer or any other alcohol which it produces.

Importers are lobbying to have these rules eased once Taiwan joins Gatt. Foreign beer makers are also hoping they will eventually be permitted to establish bottling facilities in Taiwan, which would reduce production and freight costs.

Other Taiwanese alcohol, such as the fiery sorghum liquor, Kao Liang, is likely to be less affected by implementation of Gatt, than beer, but there are import tax implications.

Taiwan is already the biggest market in the world in sales of XO grade cognac in terms of

absolute volume. Brandy imports soared 70 per cent in the year ended June 30 to 406,828 cases of 12, while whisky imports jumped 65 per cent to 542,029 cases.

"All western products are now extremely popular in Taiwan," explains Mr King Lai, managing director of Saatchi & Saatchi Advertising's Taiwan office. "Before martial law was lifted in 1987, people never saw these products because the market was closed. Now many Taiwanese are travelling overseas; they've become more international in outlook and they're wealthy." But US alcohol is subject to far more lenient tax treatment than European alcoholic beverages, with the tax on cognac and armagnac running at NT\$1,000 per litre and on Scotch at NT\$440 per litre, compared with NT\$198 per litre on US and Canadian whiskeys. These discrepancies will need to be eliminated.

The government has yet to determine how a post-Gatt system will work, or when it will be implemented. New rules are expected to go into effect on January 1 next year. The Europeans are lobbying for a tax based on alcohol content and the US is pushing for an ad valorem system. But the Taiwanese may settle on a combination of both, while devising a system which retains a degree of protection for local products.

## Arab-Israeli agreements prise open way for greater trade ties

After decades of Arab economic isolation, Israel's gradual normalisation of relations is being cemented by trade agreements which are paving the way to a commercially interdependent Middle East.

Mr Shimon Peres, Israeli foreign minister, has predicted the development of a regional common market, while Crown Prince Hassan of Jordan has advocated "a Middle East marked by the free movement of people, capital and goods across national frontiers".

Such a vision is unlikely to materialise for many years, with Israel opposed to the free movement of labour and bound by possibly incompatible trade accords with the US and European Union. Arab states

also fear Israeli economic domination. However, the newly emerging trade patterns between Israel, the Palestinians and Jordan provide what Mr Ehud Kaufman, a

Israeli predicts a regional common market, writes Julian Ozzanne

senior Israeli economic negotiator, describes as "the first building blocks" for wider Arab-Israeli co-operation.

Israel's custom union with Palestinians and last week's unilateral trade concession

allowing Jordan to export \$30m of goods a year into the Israeli-occupied West Bank will provide immediate economic benefits to Israel's Arab neighbours.

Mr Ezra Sadan, an Israeli economist, predicts that Palestinian exports to Israel - now worth \$150-200m annually - will return to the annual growth rates seen in the 1970s of about 16 per cent.

For Israel, the deals offer political gains, in the form of the greater security brought by increased Arab-Israeli trade links and as possible encouragement for other Arab states, such as Syria and Lebanon, into peace treaties.

Israel also hopes trade concessions will encourage the EU and the Far East to open up to Israeli exports in the interest of

consolidating Middle East peace.

Under the Palestinian-Israeli agreement, Israel and the self-rule areas of Gaza and Jericho are forming a free-trade customs union, protected by a common tariff barrier. The customs union will be extended to the rest of the West Bank after Palestinian elections due mid-December, but Palestinian agricultural produce has already begun flowing freely into Israel.

Israel says rising Palestinian agricultural exports to Israel - now worth \$150-200m annually - has provoked a backlash from Israeli farmers and forced the government to allocate \$300m (\$33m) in compensation and export incentives.

Israel has also granted the Palestinians exemptions under the customs union to

import limited quantities of basic food items and high priority inputs for construction and development at their own customs rates. In addition, the Palestinians will have VAT of 15 per cent compared with Israel's 17 per cent, import some consumer goods, such as cars at their own rates and sell petrol at a pump price 15 per cent lower than Israel's.

The short-term concessional agreement with Jordan allows Jordanian exports without a reciprocal opening of Jordan to Israeli exports. The move reflects Jordan's concern about the effect on its protected import substitution industries of a two-way opening of trade.

The measure will have little impact on Israel's economy and is an important vic-

tory for Israel in its continuing battle to erode the Arab economic boycott. However the move will only last until Israel hands over the West Bank to Palestinian self-government. Jordan would then have to negotiate a permanent trade accord with both partners of the customs union.

Traditional Jordanian-PLO political rivalry remains formidable and Palestinians may also object to Jordanian competition on economic grounds, with the few goods that Israel would wish to buy from Jordan likely to compete directly against Palestinian goods. Arab states are also reluctant to integrate their economies with Israel - fifteen years after the Egyptian-Israeli peace treaty non-oil trade with Egypt is only worth about \$10m.

هكذا أصبح



## NEWS: UK

## Shine goes off dealers' diamond payday

By Andrew Taylor

City firms accustomed to paying high-flying dealers in diamonds or the occasional case of Château Lafite to avoid National Insurance contributions will have to search for more imaginative loopholes in the law.

From midnight last night gem stones and alcoholic beverages on which UK duties have not been paid, or which have been held in bond, will be treated as payments of earnings, liable for National Insurance contributions, Mr Peter Lilley, social security secretary, announced yesterday.

This could include favourites such as Château Lafite 1990 retelling at about £700 a case or, perhaps, Château Pichon la Lande, which sells for £400 a case, according to one wine broker who has made wine available for city bonuses.

The move, expected to save the exchequer about £50m a year, is the latest attempt to close loopholes which have enabled mostly large City firms to avoid paying the 10.2 per cent employers' National Insurance contributions on bonus payments running into hundreds of millions of pounds a year.

It follows action by Mr Kenneth Clarke, the chancellor, in last November's budget to prevent gold bars and other tradeable commodities being used to avoid contributions, saving an estimated £70m a year. The government has previously acted to prevent gifts and shares in other companies being paid to avoid tax.

Mr Lilley said yesterday: "Companies and their accountant advisers who devise ways of paying earnings which avoid their liability for National Insurance contributions will find it increasingly unattractive to produce and operate such schemes."

These regulations are clear evidence of the government's intention to act speedily to close National Insurance loopholes. Officials are thought to have uncovered about 50 schemes involving diamonds or fine wines. These escaped budget measures because they were not traded on a recognised exchange.

The Royal Bank of Canada has assisted customers making diamond-backed payment by enabling gems to be bought and sold without leaving Switzerland avoiding the payment of value added tax. It said yesterday: "The government's move was not unexpected. The operation, which was only a very small part of our business will no longer apply."

Accountants Coopers & Lybrand, which advises clients on how to limit tax bills, said: "These schemes were attractive mainly to City firms paying large bonuses to individual staff, rather than the run-of-mill bonus schemes operated by most companies. Firms will be looking for fresh ways to reduce their tax burden but the Department of Social Security has made it clear it will target any new arrangements. Any scheme, therefore, is likely to be short-lived."

## Britain in brief



## BT makes smart card investment

British Telecommunications announced yesterday a multimillion-pound investment in new phonecards and phonecard payphones based on "smart card" integrated microchip technology.

BT claims the cards will improve the reliability of payphones, and could ultimately lead to multi-purpose cards designed for a wide range of functions, such as paying for goods in shops.

BT plans to introduce the new payphones gradually from next year.

Three companies, including GPT, the UK-based joint venture between GEC and Siemens, will provide payphones able to accept smart phonecards. Two companies, Gemplus and GPT, will produce the phonecards.

The smart phonecard will be a prepaid card similar to existing phonecards and will be used in a similar way. The value of the call will be debited from the integral chip in the card.

Existing BT phonecards have only limited space for creative designs and advertising. The new cards will allow more space for these purposes, as with Mercury's existing cards.

BT introduced the Phonecard in 1981, and now has 38,000 cardphones.

management and clerical staff at national, regional and group headquarters.

Of British Coal's 14,000 industrial employees and staff, about 10,000 are miners, with the rest either managers or white-collar workers.

Most of those who are not working in pits are unlikely to be needed by British Coal's successors.

The government has asked for bidders for the five core mining packages to put in their tenders by September 14 and is expected to decide on a preferred candidate for each shortly after.

## Fault led to jumbo near miss

A jumbo jet with more than 200 passengers and crew on board narrowly missed buildings at Gatwick Airport because a navigation system was faulty and the aircraft's crew made mistakes, an official safety report said yesterday.

The crew of the Continental Airways Boeing 747 was working on incorrect information when two attempts were made to land the aircraft at Gatwick on February 7 last year.

Both were aborted only a short way from the runway. The aircraft was landed at the third attempt under manual control, said the report said the report by Britain's Air Accidents Investigation Branch.

The problems happened because the aircraft's automatic flight control system failed to lock on correctly to Gatwick's landing guidance instruments, the report said.

## More private health care seen

Mrs Virginia Bottomley, the health secretary, yesterday forecast an increase in private care in the National Health Service, but played down the prospect of greater independence for trusts.

Her remarks prompted an angry response from Labour, which said that the government was accelerating its drive to privatise the NHS. Mrs Bottomley's comments followed a suggestion by Mr Peter Griffiths, the former deputy chief executive of the NHS, that health trusts should be given greater independence.

Mr Griffiths, who is now director of the King's Fund College, an independent medical training organisation, told BBC Radio that trusts could become "non-profit-making organisations with the right kind of social ethos".

Mrs Bottomley said: "If the private sector can give a better deal for patients, I welcome it. Where the private or public sector mean we can go further faster, provide an additional service, that's something we should certainly embrace."

## Jobs threat in blood shake-up

The number of blood transfusion centres in England will be cut from 15 to 10 under reorganisation plans announced yesterday. Officials of the National Blood Authority said the cuts would lead to a small number of job losses - but unions said more than 1,000 of the service's 5,200 staff were at risk.

A strategic review of blood services has produced 35 proposals aimed at increasing efficiency and improving the supply of blood products to the National Health Service. These include managing the service around three administrative zones based in London, Bristol and Leeds, and organising stockholding so that hospitals receive emergency deliveries within two hours.

## Clash over post sell-off

Britain's National Federation of Sub-Postmasters yesterday denied that government plans to sell 51 per cent of the Royal Mail and Parafac to the private sector would lead inevitably to the closure of many post offices.

In remarks coinciding with the release of a Labour survey of 500 postmasters and postmistresses, Mr Colin Baker, the federation's general secretary, said there was "no evidence whatsoever" that the sale would result in widespread closures.

Comments widely interpreted as an attack on Labour, Mr Baker said the federation was concerned about "blatant scaremongering stories of massive sub-office closures" and felt it vital such rumours should be scotched.

But he acknowledged that the organisation, which represents Britain's 19,000 sub-postmasters and postmistresses, had concerns about separating the various parts of the post office. He said there were still "many questions" to be answered arising from this year's government green paper. These related particularly to automation and the future size of the post office network.

## Coal set for job losses

British Coal yesterday began negotiations for a final run-down of staff before privatisation. The move is expected to lead to more than 2,000 job losses by the end of the year.

In talks with three unions, the corporation was unable to state exactly how many jobs would go but said the cuts would broadly be limited to

## Cable industry wins victory on phone numbers

By Raymond Snoddy

The cable television industry has won a significant regulatory victory which should help cable to increase the number of telecommunications subscribers in competition with British Telecom.

The Office of Telecommunications has decided that BT subscribers who decide to move to cable operators for their telecommunications services should be able to take their old telephone number with them.

The cable companies, many of them large North American telephone groups have been installing nearly 25,000 new telephone lines every month in the UK so far this year. But the fact that subscribers had to change their number when they moved to a cable service has been seen as a considerable barrier particularly for business users.

An announcement is expected from Ofcom today. The regulatory body is responding to a formal application from Videotron, one of the largest cable operators with franchises in London, Southampton and Winchester. Similar applications have been submitted by other cable groups.

As an interim measure, BT will be asked to provide call forwarding until full number portability is possible but it is not clear who will pay for this.

An all-industry committee has been making considerable progress on setting technical standards for portability. This means that in a age of growing competition in telecommunications consumers would be able to keep their number wherever their telephone operator is.

BT said yesterday: "We are surprised at the piecemeal approach that Ofcom is taking." The Cable Television Association yesterday welcomed the change which it believed would be particularly important in the business market.

"The business market is the most lucrative and the least likely to change numbers," the CTA said.

Cable companies claim they can offer discounts of more than 10 per cent on telecommunications services and by the beginning of July had installed more than 480,000 lines.

Ofcom yesterday published a study suggesting that a significant number of telephone company staff were unaware of fair trading rules.

No evidence of anti-competitive pricing in breach of licence conditions was found and although some examples of inaccurate or misleading information were found there was nothing systematic.

## Portillo rapped on disabled jobs

By Motoko Rich

A statement by Mr Michael Portillo, the employment secretary, that a scheme to help disabled employees was "hardly ever used" has been challenged by the UK's largest employer of disabled workers.

Mr Tony Withey, chief executive of Remploy, said the government's decision to scrap the priority supplier scheme, which allows companies employing disabled workers to bid again if they fail to secure a government contract at the first attempt, would hit 95 per cent - or £13m-worth - of the company's textile contracts with the Ministry of Defence.

Remploy employs 3,736 disabled workers - about 99 per cent of its shopfloor employees - in 95 factories across Britain, providing manufacturing services in furniture, packaging, textiles, healthcare, bookbinding and printing. About 40 per cent of its business comes from the public sector.

Mr Withey yesterday met Mr Phillip Oppenheim, the employment minister, to discuss government support for Remploy's disabled employees. The company said it had sufficient work for its textile factories until the end of the financial year, and Mr Oppenheim ordered officials to work with Remploy to protect employment opportunities.

Although the textile division relies heavily on the scrapped scheme, the rest of the company has been able to obtain public contracts without using the scheme.

Mr Portillo has said an £80m subsidy would continue to help disabled employees to compete even though the scheme had been scrapped.



Remploy's Tony Withey said a subsidy would not offset lost bids for government contracts. Tony Andrews

disabled employees to compete even though the scheme had been scrapped.

But Mr Withey said the subsidy would not offset the loss of the opportunity to re-bid for tenders on government contracts. The subsidy, set each year, only covers the costs incurred by employing disabled workers. "The subsidy has never been used to make us more competitive," he said. "Our pricing has nothing to do with the subsidy."

The company, which reported turnover of £126.7m last year, up £2m on the year before, was able to boost sales in spite of a reduced government subsidy, loss of key public contracts, and competition from companies which employ cheap labour from North Africa and Eastern Europe.

"We now have a two-fold problem," said Mr Withey. "We are unable to compete with some companies because we have higher prices as a result of higher labour costs and the privilege that we have had in bidding for government tenders has disappeared."

Mr Withey said he had known about the government's intention to axe the priority scheme for about a year. "We made it clear that a large amount of our textiles business comes from this scheme," he said. "But the way it was presented to us was that we had no choice because it was illegal under EU directives."

## Potato growers to retain Board

By Alison Maitland

Rebel UK potato growers who wanted to expose the industry to market forces overnight have been overwhelmingly defeated in a poll of the country's 15,000 producers.

Growers voted by 81 per cent to 19 per cent to keep the Potato Marketing Board in place for the next three years while the industry discusses the shape of a successor body with the aim of taking it into the 21st century.

"This is a victory for common sense, but also a strong mandate for change through the FMB," said Mr John Heading, the board's chairman, announcing the results of the poll yesterday.

"As a potato grower myself, I am well aware of the need for a national organisation to look after our collective interest in highly competitive, unregulated markets."

The board's future had been in question since 420 growers called the poll last month, saying the 60-year-old board had outlived its usefulness and should be abolished immediately.

Mr Graham Solari, chairman of the rebel Potato Producer Poll Campaign, accepted defeat gracefully, saying he would press his supporters to back the board in its three-year transition to the open market.

The FMB have moved their position considerably during the course of the campaign in that their expectations of the costs of operating the scheme have been considerably reduced," he said.

The dispute over the board was triggered by last November's government decision to scrap its principal function - buying in potatoes to support prices in a glut - and to wind it up in 1997. Rebel growers, unhappy about the level of levies they pay to the board, demanded that it be scrapped now so that the industry could set up a "lean and efficient" substitute organisation for potato promotion and research.

Mr Heading said the board would now press ahead with more changes, planning the successor body, reducing the levy progressively to no more than £25 a hectare from £48 now, and trimming services and staff.

## Investment rise fuels pick-up hopes

Manufacturing investment in the UK rose for the first time in two years in the last quarter, fueling hopes that the pick-up in the industrial sector might be finally feeding through to a growth in investment, official figures yesterday showed.

The rise occurred in spite of the fact that official data released earlier this week showed that overall investment in the UK economy fell in the second quarter of the year, compared to the first quarter.

The seasonally adjusted provisional estimate of manufacturers' capital expenditure in the three months to June was 4 per cent higher than in the three months to April. The Central Statistical Office yesterday said.

This rise marked the first rise in manufacturing investment since the second quarter of 1992, and some analysts yesterday suggested that the growth may indicate a turning point in the manufacturing sector. In the last five years manufacturing investment has

fallen by some 30 per cent, after collapsing steadily from the peaks it reached in 1980.

But with last quarter's pick-up in investment still lagging a long way behind the overall pick-up in the manufacturing sector, yesterday's figures suggested that the investment picture remained distinctly patchy.

Overall manufacturing investment in the second quarter of this was 2 per cent higher during the year compared to the same period last year, the CSO said. Measured on an annual basis, however, the level of capital expenditure in the year to June was three per cent lower than in the year to June 1993.

Broken down on a sectoral basis, the data showed distinct differences in the type of investment. Spending on plant and machinery, which accounts for the vast majority

of manufacturing investment, rose by 3.4 per cent in the second quarter, compared to the first quarter.

However, spending on plant and machinery was 1 per cent lower in the second quarter of the year, compared to the same period a year ago, and measured on an annual basis, spending fell by 5 per cent in the year to June, compared to the previous year.

Spending on vehicles, by contrast, rose by 8 per cent in the year to June, compared to the previous year, while spending on buildings rose by 4 per cent.

Measured on a sectoral basis, the figures showed that the solid and nuclear fuels and oil refinery sector fell back sharply over the year, with spending in the second quarter of this year 31 per cent lower than in the same period a year ago.

Spending in the chemicals and non-metallic minerals sector, also fell back over the year, in spite of a small rise in the last quarter. Spending in this sector was 5.5 per cent lower in the second quarter of the year, compared to the same period a year ago.

Spending in the machinery, electrical and transport sectors, however, was 1.7 per cent higher in the second quarter of the year, compared to the same period a year ago.

Meanwhile separate data released by the CSO yesterday showed that manufacturers reduced their stocks by 28% in the last quarter, after a sharp rise in stocks in the first quarter of this year.

The level of work in progress among manufacturers rose to £115m, in the second quarter after rising by £182m in the first quarter of this year. Retailers' stocks, however, rose in the second quarter of the year, after falling back the first quarter. Wholesale stocks rose for the second quarter in a row.

## While you are rushing ahead of your competitors



we take care of your banking requirements.

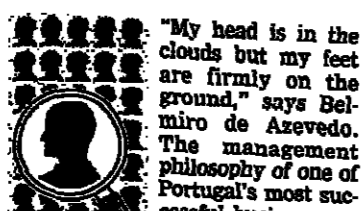
As you know, the prompt and reliable services of Hamburgische Landesbank are also available to you in London. We can offer you a wide range of competitive banking products with speedy responses to your requests.

In addition the know-how of a major German bank for your enterprises and business ideas is at your disposal. Come and talk to us if you are looking for a bank that works fast and hates red tape. Mr. McColl would welcome your call. Hamburgische Landesbank. Your individual consultant.

**HAMBURGISCHE LANDESBANK**

Moorgate Hall, 155 Moorgate, London EC2M 6XB • Tel.: 071 972 9292, Fax 071 972 9290

هناك اعلان



"My head is in the clouds but my feet are firmly on the ground," says Belmiro de Azevedo. The management philosophy of one of Portugal's most successful businessmen is rooted in the down-to-earth values of the poor village where he was born and the capacity to dream that helped him climb to the top.

By drawing on the spontaneity, aggressiveness and frugality that characterised his background, Azevedo has built the Sonae group into Portugal's biggest private-sector conglomerate, with 1993 sales of \$22.8bn (\$1.4bn). The company was an almost bankrupt chipboard producer with an annual turnover of only \$5m when he was taken on as a researcher in 1963.

Azevedo, 56, tempers Latin passion with a dedication to education and a determination to rise above local horizons and take a global view. Partly thanks to his efforts, Portuguese management style is no longer a pejorative term used to describe sleepy, family-run businesses unaware of international competitors until it is too late.

The son of a carpenter from a village near Oporto, Azevedo was given a job at Sonae soon after graduating as a chemical engineer. The owner was president of the sports club where Azevedo made a name for himself as a handball player. The young graduate turned the business around and was rewarded with equity.

As he expanded the group, Azevedo succeeded to the chairmanship, becoming principal shareholder along the way. He is now thought to be the third richest man in Portugal, owning assets worth an estimated \$1.5bn. Sonae's industrial arm is still focused on wood-based products, a sector where the group dominates the Iberian market and has ambitions to become a European leader.

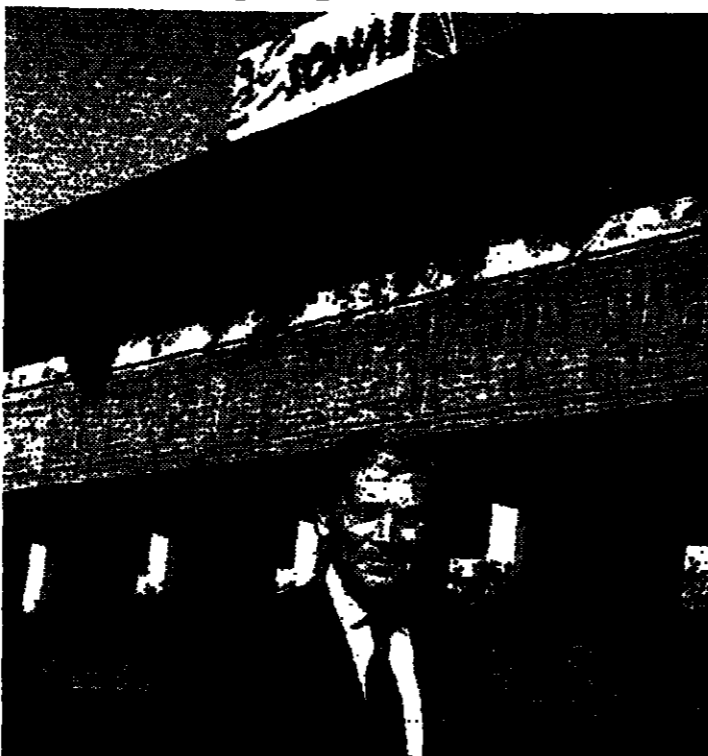
But a perceptive move into distribution in 1982 took it into an altogether bigger league. "Portugal was in the stone age in terms of retailing and an explosion was imminent," says Azevedo. Sonae's supermarket and hypermarket chains now lead the Portuguese market and account for 82 per cent of group turnover. Sonae's other core activity is commercial real estate.

Normally on the offensive, Azevedo is currently playing a defensive role in Portugal's biggest takeover battle. Led by Sonae, the core shareholders of Banco Português do Atlântico, the country's second largest bank, are fighting a bid by Banco Comercial Português, the fifth largest, to acquire a controlling stake of 40 per cent of BPA. Family was the first test of Portuguese management tradition that

## EUROMANAGER TO WATCH

## Dreaming at the top

Belmiro de Azevedo rose from a poor village background to be chairman of the Sonae group, writes Peter Wise



Belmiro de Azevedo: 'You can't take a purely scientific approach to innovation'

Azevedo flew. His own appointment and promotion was based on merit and he enforces the same policy. "A sense that people will rise just because they are family members is the worst possible climate for a corporation," he says. "Following the northern Portuguese custom would make it very difficult for Sonae to motivate the best managers."

However, Azevedo does follow his executives' progress with fatherly concern. Sonae has no human resources division for its 8,790 employees. But Azevedo devotes considerable time to personally guiding the careers of the group's top 100 managers. He is keen to ensure that each manager is in the position where his or her abilities are best put to use. As a result,

Sonae has a reputation as a management school equal to any of the specialised academic institutions that have recently emerged in Portugal.

Small as Sonae was when Azevedo joined, the company exported to more than 60 countries and he spent three months a year travelling abroad. The international outlook he gained is another quality that distinguishes Sonae from many Portuguese companies. "We approach strategic and organisational issues in global, regional and local terms and strive to be at the cutting edge of technology at a international level," Azevedo says.

Such is his drive to dominate trends affecting the group that there are often more Sonae manag-

ers at international business conferences on relevant issues than all the other delegates put together. One result was that supermarkets in Portugal were unexpectedly the first in Europe to have every check-out equipped with a scanner.

Education helped Azevedo rise above his background and today it is one of the assets most valued by Sonae. Azevedo himself spends two to three hours a day studying the latest management thinking and attends courses around the world. Dedication to self-improvement is a feature of the Sonae culture and managers are encouraged to spend time teaching at universities, as Azevedo did during his early career.

Azevedo supports academic learning with the common sense values of his upbringing. These tell him, for example, that much current management writing is "bunk, old-hat or repetitive".

Outside the office, he most enjoys conversing with the small farmers who live near his modest farmhouse. Frugality is a hallmark of Sonae and the successful leveraging of resources has played an important role in the group's expansion.

Emotion is also a vital element of Azevedo's management style. "You can't take a purely scientific approach to innovation. You must have dreams and visions as well," he says. "I think Latin managers have more flair for this. The margin of error is higher but they are more aggressive in pursuing new ideas."

Azevedo's own combativeness partly stems from a lifelong passion for sport. He says he is addicted to the 90-minute workout that begins his day. "We can be aggressive with each other in Sonae. If you are too polite the message sometimes doesn't come across as it should." The right degree of stress is important, too. "I don't know of anyone who has broken a world record while they were training," he says.

Azevedo is reluctant to acknowledge criticism that his own pugnacity has, in the past, led to a despotic approach to running Sonae. Today, he says, he is involved in less than 10 per cent of decision-making. Associates commend him for recognising his assertive traits and building mechanisms of control and delegation into Sonae that protect the group from any dictatorial inclinations.

Four months' absence following an operation last year showed Azevedo that Sonae could prosper without him. It has also taught him that he can afford to spend less time on close control of day-to-day affairs and devote more to strategic thinking. "I used to spend about three hours a day taking calls or writing to people," he says, "now I've cut it down to 20 minutes." More time for dreaming... with his feet on the ground.

## BOOK REVIEW

## Dissection of the professional firm

By Andrew Jack

Charles Handy, Tom Peters and other management gurus have a habit of pointing to the professional service firm as one of the most instructive models for the business of the future. But definitive literature on the species, and its management problems, remains sparse.

Accountants, lawyers, architects, consultants and other professions arranged as partnerships are significant employers, revenue generators and influence-formers around the world. Yet - partly because of their own secrecy - they are rarely analysed.

An exception is the work of David Maister, a US-based consultant and former academic who over the past decade has become one of the world's few commentators on the subject. His *Managing the Professional Service Firm*, just published in Europe, provides useful and readable insights - in spite of some drawbacks.

The book's style reflects Maister's frequent oral presentations in his work as a consultant to professional firms. Much is hewed into simplistic but memorable alliterative "rules of three".

Hence firms are about service, satisfaction and success; client benefits relate to expertise, experience and efficiency. In a phrase borrowed from medicine, the most important priorities are availability, affordability and ability - in that order.

Borrowing an image from social science research, Maister says most firms are either "farmers" specialising in particular areas, or "hunter-gatherers" in a constant search for new sources of meat (types of work), whatever these may be.

Many firms still believe they are offering high-value, top-level "brain surgery" to clients while their clients, by contrast, increasingly view the services they offer as more those of the "chemist shop".

Moreover, he argues that many firms have maintained

'Many firms believe they are offering 'brain surgery' to clients, while their clients view the services as more those of the 'chemist shop'

MANAGING THE PROFESSIONAL SERVICE FIRM

profitability by focusing on short-term "hygiene" performance measures (such as staff utilisation, boosted by sacking staff) rather than on long-term "health" measures (such as fees per hour).

Maister manages to bring off his analysis without the worst excesses of guru-speak. He includes some pertinent personal and self-deprecating stories, valuable expertise from his consulting work, and a few references to other specialist writers.

He talks about the systematic failure by firms to delegate more to junior staff, the fact that professionals tend to be more geared to their own values than what the client might want; and that the difficulty professionals have with marketing themselves is less of a "marketing problem" than the result of inadequate management to create the opportunities for the effective sale of services.

One value of the book is that Maister is able to appeal to the widest audience of different types of firms and is able to draw on their varying experiences.

But this is also a weakness. While there are clearly many parallels, there are also a good number of differences between the types of firm: in size, structure, culture, market, willingness to change and so on. Maister makes

little attempt to highlight these. Irritatingly, he rarely gives named examples, blaming the need to retain confidentiality to clients. Some of his material on particular organisations is also outdated.

In spite of that, he does provide useful analysis of several firms that are commonly held to be well managed: Arthur Andersen, Goldman Sachs, Hewitt Associates, Latham & Watkins and McKinsey. He describes them all as "one-firm firms" with a single structure, identity and method of operation. The staff and partners are characterised by their loyalty, teamwork and hard work, for downplaying stardom and generating a sense of mission.

The book's principal other weakness, other than its rather banal tables and graphics, is that it is essentially a compilation of articles - some written as long as 13 years ago - rather than something specially written and coherently structured.

He admits that a few years ago, friends told him his clients were saying: "Oh yeah, we've had Maister in and heard his stuff. What else has he got?" His next book should prove the real test of whether he has an answer to that.

\*Free Press/Simon & Schuster. \$29.95/\$23.95.

British Excellence and Quality  
AN OCCASIONAL SERIES

## Harpers &amp; Queen

Harpers & Queen is unique: a stunning combination of brilliant and influential fashion magazine married to an up-to-the-minute general lifestyle magazine. The magazine is read by women who are sophisticated, fashionable, highly educated, stylish, well-heeled and socially confident - as well as those who want to be. Harpers & Queen's mix of witty and self-assured features, coupled with award-winning photography, appeals to women and men alike.

Harpers & Queen is the most upmarket magazine in Britain. It is the unchallenged handbook of one of the foremost ideas capital of the world... LONDON.

The Committee, which was established in 1992, aims to focus attention on British excellence, style, craftsmanship, innovation and service. These are qualities which all its members share and for which British products and services are renowned around the world.

For further information, please contact:  
The Director, The Walpole Committee, 40 Charles Street, London W1X 7PB, England.  
Tel: +44 71 495 3219 Fax: +44 71 495 3320

Any time  
any place  
any share.

Instant access to UK prices from anywhere in the world.

Whether you're doing business in Berlin or hatching deals in Hong Kong, FT Cityline International can link you with real time prices from the London Stock Exchange.

One phone call is all it takes to put you in touch with:

- Over 3,500 share prices
- Over 10,000 unit trust prices
- A wide range of financial reports
- A confidential portfolio facility

FT Cityline has proved invaluable to business people and investors in the UK for years. And now it's available from anywhere in the world.

Just fill in the coupon below or telephone +44 71-873 4378. You'll be amazed how little it costs to have instant access to this unique service.

FINANCIAL TIMES  
**CITYLINE**  
INTERNATIONAL

## FURTHER INFORMATION

Please send me details of FT Cityline International.

Name

Position

Organisation

Address

Post Code  Tel No

FT Cityline International,  
Number One Southwark Bridge, London SE1 9HL.

When the rain is not lashing down, the noise can be heard quite clearly - a faint rumbling punctuated by thuds. It is the sound of the Forestal del Sur woodchip plant in the rough-and-tumble town of Puerto Montt, southern Chile, grinding up thousands of logs into chips for export to Japan.

It is also the sound of controversy. For of all the sectors of Chile's booming forestry industry - which includes pulp and paper, logs, planks and furniture - it is the woodchip manufacturers that have provoked most ire among environmentalists. Chippers are accused of creating an unsustainable demand for native forests which, say critics, are shrinking daily.

Last year, of the \$1.3bn (\$800m) earned by forestry exports, woodchips represented \$137m. Most chips, later turned into products such as writing paper, come from native forests.

Chile's forestry sector has grown rapidly since the mid-1970s when the government began to subsidise man-made forests. An almost insignificant industry 15 years ago, forestry now counts for 13 per cent of exports, second only to copper.

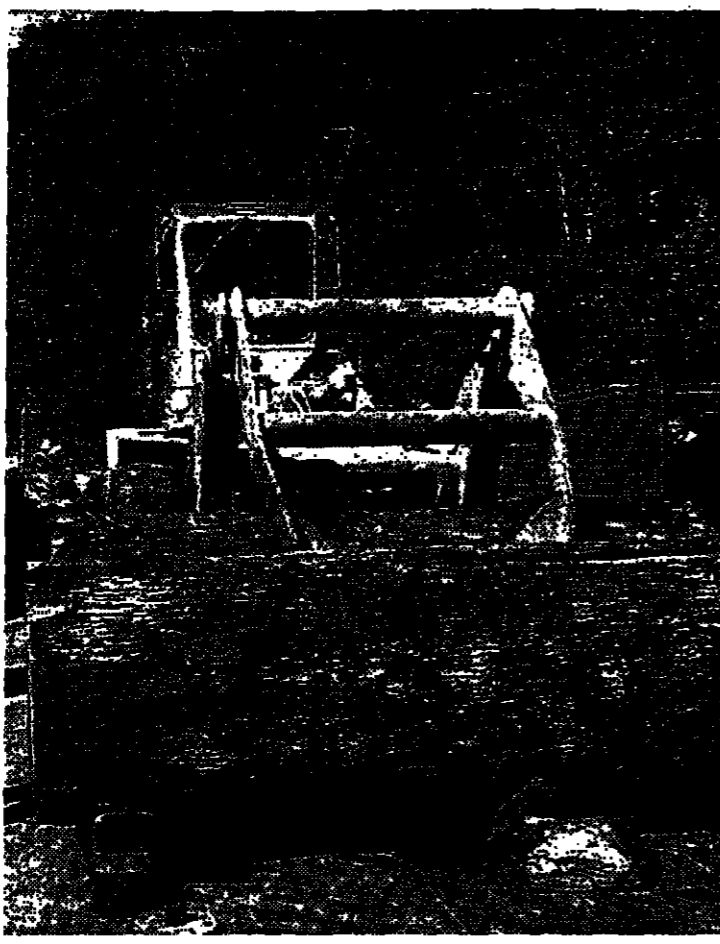
But it was not until the late 1980s that chip exports took off. José Augustín Ramírez, law faculty professor at Valdivia University, says the impact has only been felt in the last few years and believes the government must act now to save Chile's woodlands. He says Chileans over-estimate the abundance of forests, which have not yet been properly catalogued. A World Bank-funded study of reserves is not expected to be ready for three years. Ramírez says that 11 per cent of Chilean territory is forested, compared with 21 per cent in the US and 63 per cent in Japan. He favours restricting the industry to man-made forests and banning the exploitation of native trees.

Claudio Donoso, professor of forestry at the same university, says a moratorium is "extremist", calling instead for the strict management of resources using pruning and rotation techniques.

Donoso claims that Conaf, the Chilean forestry corporation, lacks the regulatory teeth to control the industry properly. Furthermore, Conaf is responsible not only for the protection of woodlands, but also for their industrial development, a dual function which many critics find perverse.

In theory, landowners cannot cut down trees without Conaf permission in the form of a "plan of operation". But Donoso is scathing about such plans, describing them as "absolutely useless - just a licence to cut down trees".

At Conaf in Puerto Montt, Carlos Alberto Ritter, technical depart-



Woodchip makers are accused of creating unsustainable demand for native forests

## The chips are down

David Pilling looks at the growing controversy surrounding Chile's booming forestry industry

ment chief, admits that "plans of operation" are a blunt tool. Conaf technicians agree the plans with landowners using criteria designed to prevent soil erosion, but not on the basis of the rarity or beauty of the woodlands. "We have no legal authority to say: 'Don't cut it'." In this respect the law is inadequate, he says.

Neither can the small Conaf office in Puerto Montt adequately monitor the vast 10th Region. Given the poor quality of roads, often impassable in winter, Ritter admits that Conaf's 16 staff and fleet of road-weary vehicles are little match for

the task. Last year alone, Ritter's office handed out \$1m in fines to 300 landowners caught felling trees illegally. Only 5 per cent has been collected, he says.

However, Ritter says that chip-pers are only a small part of what is an old problem, consuming around 10 per cent of cut wood each year. Sixty per cent is destined for fire-wood.

Mauricio Fierro, an environmental activist, counters that the Chilean chip industry is relatively young. If left unchecked, its damaging effects are likely to spread uncontrollably, he says.

Javier Ovalle, manager of the Puerto Montt division of Forestal del Sur, defends his industry's environmental record, saying it is "entirely feasible to exploit native forest in a sustainable manner". He argues that responsible exploitation actually improves tree quality by pruning away bad wood, a view shared by some Conaf officials.

Forestal del Sur, in common with most chip manufacturers, does not own native forest but supplies its needs by buying wood from local landowners. Critics say this is a convenient way of avoiding blame for any destruction. The company, which takes delivery of wood 24 hours a day, exports 550,000 tonnes of chips a year, earning around \$55m.

Ovalle believes most private landowners are managing their forests responsibly, mainly thanks to Conaf's educational drive. "All of our suppliers have a plan of operation approved by Conaf."

He says that controversy surrounding the use of woodlands, among Chilean and Japanese consumers, means the industry will have to shift towards using wood from plantations. "This is a shame because you have lost the chance to manage the native forest," he says.

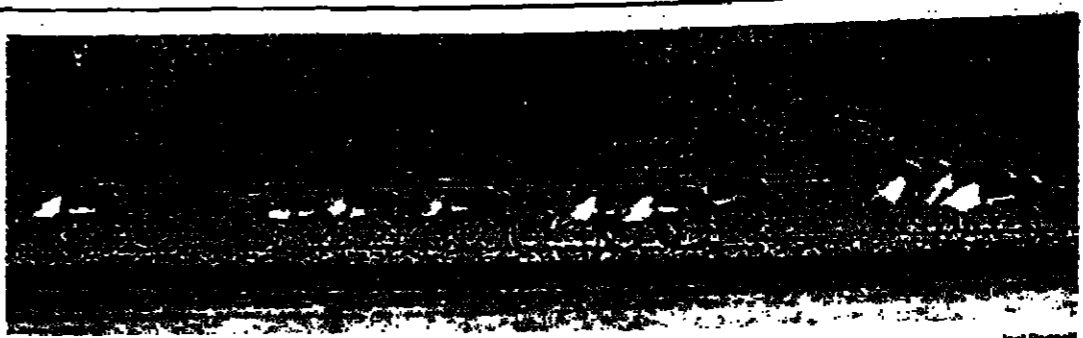
The forestry industry argues that if laws or consumer pressure render forested land uneconomic, owners will simply cut down all their trees and convert land to a profitable activity such as cattle rearing.

The controversy over woodchip producers is just part of a broader battle being waged between environmentalists and the forestry industry. Even the owners of Chile's 1.5m hectares of man-made forests - who argue that they have improved the environment by planting pine and eucalyptus - have not been immune from attack. Critics say native forests are often cleared to make way for plantations and that monocultures bring the danger of disease.

Much of the debate has been transferred to parliament where legislation to protect native forests has spent years crawling through committees. The eventual bill will probably opt for the controlled use of woodland, allowing a certain percentage of trees to be cut each year.

Industrial lobbyists argue that the imposition of onerous restrictions could render their businesses unprofitable, costing thousands of jobs and millions of dollars in exports. Juan Moya, Conaf director, says Chile cannot act as if it were a rich country. It must make use of its resources, he says.

On the other side of the debate, Ramírez believes that defenders of woodlands should have spoken earlier and louder. "The problem with native forests is that if you wait too long, there's nothing left to protect," he says.



Industrial development would threaten the porcupine caribou that migrate across Alaska's coastal plain and into Canada

## Oil-rich refuge of the caribou

James Harding on US/Canadian national park links

The similarity between US oilmen and polar bears is that they both want to set up camp in Alaska. Beneath the Alaskan coastal plain, where polar bears make their dens and porcupine caribou calve, lies possibly as much as 9bn barrels of crude oil.

Proposals under consideration at the US Interior Department indicate that the Clinton administration is on the side of the polar bears. An internal memo proposes that the US and Canada co-ordinate management of the Arctic National Wildlife Refuge (ANWR), the 19m-acre Alaskan sanctuary, whose coastal plain is thought to contain the oil, and the adjacent Vuntut and Ivavik Canadian national parks.

Under current legislation, oil companies are prevented from drilling until ANWR is opened up by Congress. An agreement between the US and Canada to "twin" their parklands would force companies to consult both countries to gain access to the area, effectively ending industry's ambitions for the so-called 1002 fields for a generation.

The plan to link the US refuge in north-east Alaska and Canadian parkland in Yukon territory is part of an Interior Department options paper drawn up at the beginning of August. A White House official says the Clinton administration could support a system of "co-operative management of resources in the area" because "ecosystems spill over boundaries". It was stressed that federal land would have to remain under American jurisdiction.

Oil companies still hope to gain

access to the fields in the longer term and oppose any move that would obstruct the future development of arctic reserves. Tom Koch, a spokesman for British Petroleum, says the company "would prefer the US to maintain the opportunity to take future decisions on energy security".

BP and Chevron Corporation of the US, which together have drilled the only well in the ANWR, have not disclosed how much oil they believe to be in the 1002 fields. Industry estimates vary, with the most modest forecast for 500m barrels.

The more common figure of 9bn barrels is plausible: the 1002 reserves are understood to be part of the same geological formation as the Alaskan Prudhoe Bay field, the biggest US reserve, which has exceeded the original 9.6bn barrel forecast and produced nearly 11bn barrels.

It is not only the petroleum industry which is resisting the proposal for twin management of Canadian and US federal land. Alaskan state governor Walter J. Hickel says: "It is unthinkable that the Department of Interior would proceed with a proposal such as this one without consulting the State of Alaska."

Responding to the suggestion that the federal government could include ANWR in a World Heritage Park, Hickel says: "This is exactly the kind of unilateral federal decision-making that we fought for statehood over."

Principles of the constitution are not all that is at stake - the oil industry promises jobs. Oil production from Prudhoe Bay is declining, from 735m barrels in

1988 to 627m barrels in 1992. The American Petroleum Institute claims that exploration and production on the Alaskan coastal plain fields may generate as many as 735,000 jobs.

Environmental campaigners argue that estimated economic benefits do not justify putting America's last undisturbed natural habitat at risk. Industrial development would threaten the 180,000-strong porcupine caribou herd that migrates across the coastal plain and into Canada twice a year, they say.

It would have the knock-on effect of destroying the Gwich'in community, the indigenous people whose subsistence and culture is based on the porcupine caribou. "It is one of the unfortunate accidents of fate," says Scott Kearnin of the Alaska Wilderness League, "that an area the oil industry thinks is very promising can't be developed without destroying the caribou herd. Caribou will never calve in an area that looks like New Jersey."

Twinning the refuge and the Canadian national parks is a proposal most environmentalists would like to see adopted, even though it does not meet their ultimate target of getting wilderness designation (which prohibits any future industrial development) for the ANWR coastal plain.

What they fear, however, is that the proposal will be linked with a lift on the export ban of Prudhoe Bay oil which is currently before Congress. The Clinton administration is understood to support lifting the ban, which would create an expanding market at a time of depleting reserves.

## PEOPLE

### BBC beams in two finance men

The BBC has brought in two new finance directors to help it fulfil its ambition to become a major international broadcaster in the satellite age.

Tony Kay, formerly deputy finance director of Granada/LWT International, has been appointed finance director of the newly-created BBC Worldwide TV, and Andrew Hind, director of finance at Granada, is joining the BBC World Service as finance and commercial director.

They both come under the umbrella of BBC Worldwide which was established in May

and is headed by Bob Phillips, the BBC's deputy director-general, who is known for his interest in tight financial controls.

The aim of the new structure is to provide a fully co-ordinated approach for the first time to the BBC's international and commercial activities. BBC Worldwide has three separate divisions: Worldwide TV which is responsible for programme sales, co-productions and the BBC's news and non-news channels; Worldwide Publishing; and the World Service, the international radio service

funded by the Foreign and Commonwealth Office.

Jeff Hazell, who was at World Service TV, has been appointed director of channel sales and marketing of BBC Worldwide TV. However, it is not clear whether a role will be found in the new organisation for Christopher Irwin, the former chief executive of World Service TV, the forerunner of BBC Worldwide TV. The BBC said yesterday that Irwin was still on leave and refused to comment on speculation that he would receive substantial compensation for loss of job.

### Electronic switches

Steve Swift, formerly vice-president of European operations for Dun & Bradstreet, has been appointed vice-president and md of PEOPLESOFT Europe.

Brian Richardson, director of commercial and industrial systems, has been appointed to the board of McDONNELL INFORMATION SYSTEMS GROUP and Ray Sandham, promoted to director of human resource systems, an MDIS new business unit.

Daisuke Koshima, formerly president of Sharp Electronics of Canada, has been appointed chairman of SHARP ELECTRONICS (UK).

Alan Smith, formerly director, managed accounts at Siemens Nixdorf Information Systems, has been appointed strategic partner group director at INFORMIX.

Philip Wilson, formerly international business development director at Granada Computer Services International, has been appointed md of DCM Services.

John Morse (below), has been appointed director of HONEYWELL's industrial automation and controls division.



### Portrait of a happy man!

**Calvin Beck has good reason to be happy.**

He is Senior Vice President (Development) of United Cinemas International, the company that brought the multi-screen cinema to Europe. And now UCI International has taken 26,000 sq ft of space for its world headquarters ... in Manchester.

What makes Calvin really happy is that the company likes the financial benefits, his staff enjoy the location and UCI's American parent companies Paramount and Universal appreciate the business logic.

"Our move from London to Manchester adds us to the capital's hassle-factor, saves money and puts us ship-bang in the middle of our UK territory. It also gives us direct access to one of the world's fastest growing major international airports," says Calvin.

Find out how easily you can make that profitable move to Manchester...

For a relocation package, tailored to suit your needs, contact Kay Exton, Commercial Development Manager at Central Manchester Development Corporation, Churchgate House, 58 Oxford Street, Manchester M1 6EU. Or telephone on 061 236 1166 or return the form below.

**CENTRAL MANCHESTER DEVELOPMENT CORPORATION**

NAME (PRINT/STAMP) \_\_\_\_\_  
POSITION \_\_\_\_\_  
COMPANY \_\_\_\_\_  
ADDRESS \_\_\_\_\_  
POSTCODE \_\_\_\_\_  
TEL. NO. \_\_\_\_\_  
NATURE OF BUSINESS \_\_\_\_\_

Send to: Kay Exton, Commercial Development Manager, Central Manchester Development Corporation, Churchgate House, 58 Oxford Street, Manchester M1 6EU. Or telephone on 061 236 1166

FD/0594

### Finance moves

Peter George, formerly head of consumer lending with Barclays Bank, has been appointed deputy md of WOODCHESTER CREDIT LYONNAIS.

Martin Moyes has been appointed a director of LAZARD BROTHERS & Co with responsibility for information technology.

Michael Allen has been appointed general manager of Banque KLEINWORT BENSON SA Geneva; he moves from the north American financial business. His predecessor Nicholas Haynes takes over as head of private client portfolio management in London.

David Hughes, formerly senior finance director and general manager, has been appointed finance director of BERRY BIRCH & NOBLE.

Robin Birkett has been promoted to md of LLOYDS Bowmaker's motorcycle finance division, RIGP.

Robin James has been promoted to director-in-charge of SINGER & FRIEDLANDER's Isle of Man operation.

### Brian Yates: the new consumers' champion

The new chairman of the Consumers' Association, publishers of Which and related magazines, is Brian Yates, a chartered engineer who runs a division of a Loughborough company making cranes and lifting systems.

With a brief interruption, Yates, 49, has sat on the Consumers' Association council since 1986, and has been chairman of the operating company for the past two years. The opportunity to chair the holding company arose when his predecessor, Philip Whitehead, decided to run for the European elections in June. Both chairmanships are unpaid.

For those who would contend that the 37-year-old association has had its day, Yates, of course, has a ready answer. "We may not be testing pop-up testers, but our relevance is undiminished," he contends, pointing out that there are plenty of battles to be fought on behalf of the consumer

throughout the service industries. While testing will remain an important part of the association's work, the new chairman is also interested in using technology to "improve the delivery of information", for instance, via interactive terminals at shopping centres.

Yates reckons his manufacturing background is a considerable asset. "People often say the association is against the supply side of business. That is not true." He has worked at Morris Mechanical Handling for the past ten years, and is now on the board of the company that was sold to its management by Trafalgar House in May. He advises companies on ways of improving productivity through computer automation.

The CA is also poised to choose a new chief executive to succeed John Beishon, whose controversial term comes to an end when he turns 64 in November. An announcement is expected next month.

### CONTRACTS & TENDERS

## Contributions Agency

### Expressions of interest for tender of Internal Audit Services

The Contributions Agency is the executive agency of the Department of Social Security responsible for operating the National Insurance scheme.

The Agency is inviting organisations to express an interest in providing the Agency's Internal Audit Services.

The present service is located in the Newcastle upon Tyne area and has responsibility for a number of central office sites within the Newcastle area and satellite sites throughout the UK.

Interested organisations will be expected to complete a pre-qualification questionnaire.

We anticipate that short listed companies will be invited to tender during October or November 1994.

The Contract is expected to be awarded by early February 1995 for a minimum period of three years.

Expressions of interest must be received before 12.00 noon on 21 September 1994.

If you wish to be considered and would like a copy of the questionnaire please apply by writing to:

Mr P Rayson, Market Testing  
Room 138E, DSS Longbenton  
Newcastle upon Tyne, NE98 1YX

This advertisement has also appeared in the Supplement of the Official Journal of the European Communities.

### LEGAL NOTICES

NOTICE OF CREDITORS' MEETING  
IN THE MATTER OF  
AMF INTERNATIONAL LIMITED  
AND  
IN THE MATTER OF  
THE INSOLVENCY ACT 1986

NOTICE IS HEREBY GIVEN pursuant to Section 90 of the Insolvency Act 1986, that a meeting of creditors of AMF International Limited will be held at the offices of Grant & Young, Solicitors, 19 Theobald Lane, Southampton SO14 3QB, the Liquidator, of AMF International Limited, will furnish creditors, free of charge, with full information concerning the affairs of the company as they may reasonably require. (Under the Sixteenth day of August 1994)

W J H Ellis  
Liquidator

### PERSONAL

#### PUBLIC SPEAKING

Training and speech writing by award

winning speaker. First lesson free. Tel: (0727) 861133

YOU CAN ADVERTISE YOUR SKILLS IN THE

FINANCIAL TIMES RECRUITMENT PAGES FROM AS LITTLE AS £84 + V.A.T.

Looking for a Career Change?

FOR FURTHER DETAILS PLEASE CONTACT PHILIP WRIGLEY ON TEL: +44 71 873 3351. FAX: +44 71 873 3064

OR BY WRITING TO HIM AT FINANCIAL TIMES, RECRUITMENT ADVERTISING, NUMBER ONE SOUTHWARK BRIDGE, LONDON

SE1 9HL

هكذا قال الامير

Television/Christopher Dunkley

## The power of pastiche

A man slumps at his desk, squeezing his temples and grimacing. Clearly he has a headache. A woman in a white coat approaches from behind. "Tense, nervous headache?" she asks, taking a brochure from the desk drawer. "You could choose a leading brand of painkiller or..." - giving the man an almighty whack round the ear with the book - "you could choose from thousands of First Choice Holidays!" Well it made me laugh. So did the commercial where the dialogue goes "Is it a fat cat?" "No, it's a plane!" "No, it's a bird!" "No, it's a plane!" "No, it's a bird!" because clearly the object flying through the air is a fat cat. This is one of a series so successful that they have actually lodged

Watching advertisements certainly brings home certain truths

their punchline in my memory. Since I can never remember which product a commercial is for, even when I enjoy the joke (for instance the one where the "bouncing bomb" union flag towel gets to the sun lounge ahead of the German tourists; gloriously politically incorrect, but which beer?) this seemed quite an achievement... until I realised they had taught me "Pay attention, Medomsley Road, Consett!" but failed to lodge in my mind the name of the crisps which are made there. My current favourite among the ads is the series where various middle-aged men - one overbearing himself discussed in the men's washroom, another undergoing an operation - mine to the Nat King Cole recording of "Let's Face The Music And Dance". I re-wound the tape to check on the advertiser which is Allied Dunbar pensions and life assurance, hence the importance of the line "There may be trouble ahead". And do these enjoyable ads have

anything in common? They do: all are pastiches of well known television items. "Tense, nervous headache?" was for years used by a branded analgesic (heaven knows which). "Is it a bird? Is it a plane?" is meant to produce the response "No, it's Superman!" And the mining, in style, music period, and particularly the hospital setting, is clearly a tribute to the late Dennis Potter.

Enjoyable as they are, however, these commercials are the exceptions. Since the summer schedules are stuffed with so many repeats and duff programmes it seemed a good moment to check on those bits of television where the critic usually hits the "Fast Forward" button: the commercial breaks. Flashing through the tapes, zapping out the programmes and watching only the advertisements certainly makes a change, and brings home certain truths. We know, of course, that production values are often high in the breaks, after all people can spend as much producing 30 seconds here as on 30 minutes of programming. But it is startling to find how much is old or even very old, and how much is infuriating and counter-productive.

Given the whizz-kid image of the ad biz, and the impression advertising people like to convey that all new trends spring directly from them, it seems astonishing that the talking chimps are still promoting PG Tips. They began in 1956. In concept and gentleness of humour virtually nothing has changed in 38 years. If the series does ever end (and no doubt somebody is already campaigning for the rights and dignity of chimpanzees) it will leave an untellable tale.

In 1959 Domestos was undertaking to "kill all known germs in an hour". In 1994 it is offering to "kill all known germs anywhere". After 40 years detergent manufacturers are still comparing the grey laundry of their competitors with their own dazzling whiteness. The first cat named Arthur stuck his paw in a tin of cat meat



Tense, nervous headache? Never mind the product, enjoy the commercial break...

in 1957: last week another white cat named Arthur was still doing it. It is 30 years since Esso urged us to "Put a tiger in your tank" and today the tiger is racing across a crumbling ice floe (why? to get to an Esso station (why, if as we are told the big petrol companies routinely use supplies from one another's tankers)? And the umpteenth pretty woman is giving head to Cadbury's Flake.

Concentrating on the commercials you also notice how often they try to baffle you with science. Remember "WM7"? That was Oxo's secret ingredient in 1963. In the past few days products have boasted of "pro vitamin B5" of a "hydromat complex", and of a "unique hydroxy formula". Others offer "time release freshness" or "anti-static agents" and, in the case of a razor, "micro fins". All of a sudden every toothpaste manufacturer is promising that the product is stuffed with bicarbonate of soda. So what? And why, anyway, is quite so much television time currently occupied by advertising for toothpaste, tooth-

brushes, denture fixative and so on? Do we pay more attention to our teeth in the summer?

The claims in those ads are, mostly, merely ludicrous. There are others, for companies with which many of us are familiar, that may actually turn many viewers against them. How dare the AA, for example, claim "To our members we're the fourth emergency service", thus attempting to appropriate public esteem for ambulance crews and firemen? Remembering how long you have sat in the rain waiting for the AA to arrive, this campaign is enough to drive you into the arms of the RAC. Similarly, if there was any alternative to the Post Office most of us would surely take it after our experiences in waiting to buy a few stamps, or being refused a tax disc on a Saturday morning. So to be told repeatedly that the Post Office is "part of everyday life" is enough to make you spit with fury. And what makes anyone imagine that Bob Hoskins being coy and gnomish, even if he does

have the estuary accent which is now mandatory for commercials, is going to make us use the phone more? We know what it is already costing us.

Now it is just a question of service organisations. In view of recent revelations about The Body Shop, the commercial for American Express which consists of Anita Roddick being all green and feminist and third world seems a teeny bit unfortunate. Commercials surely cut both ways. There is little informational advertising on television: overwhelmingly it is concerned with brand awareness and market share, and it depends heavily upon the predisposition of the viewer. If you begin with deep reservations about the treatment dishied out to the public by high street banks or major airlines, then their television advertising, far from changing your mind, is likely to reinforce your feelings. Now that Nicole (she with the oh-so-stupid "Papa") has allowed us to see her taste in underwear, why should any of us trust her taste in motor cars?

Jazz/Garry Booth

## Julian Joseph

It says something about Julian Joseph's energetic piano playing that, at 28 and with only two records behind him, he can already draw a sizeable crowd to the Barbican Hall on two consecutive nights. He came up in the late 1980s crop of young British jazz musicians which included Courtney Pine and Steve Williamson and like them his style is coruscating hard-bop tempered by a more contemporary sound. Reggae shines through Coltrane for Pine, for Williamson it is funk and Joseph likes soul.

But Joseph's irrepressible urge to swing his quartet is what really sets him apart. Once seated at the keyboard he simply cannot wait to push a tune along. On Sunday he started out with a trio, a vigorous three cornered work-out with Wayne Batchelor (bass) and Mark Mondesir (drums). Mondesir is the most combative drummer and engaged Joseph in some serious hand-to-hand, the pair grinning at one another wickedly throughout. Using his own material from the albums, Joseph took the substance of a good tune and worried it with percussive repetition until it was in the most satisfying shreds.

When the barnstorming trio returned after the interval with a seven piece brass section clipped on one side and six reeds on the other, you felt seatbelts might be in order. Packed with top flight soloists - Guy Barker (trumpet), Peter King (alto) and Keith Waithe (flutes) - this orchestra soars. Joseph is new to big band orchestration but clearly it suits him. His arrangements on standards unfolded carefully and in a cool way but allowed for soloists' aerobics between. "Everything Happens To Me" featured Peter King at his most nimble and allowed Joseph a slot to serenade before reverting up the ensemble again. Marcus Miller's "The King Is Dead" used a poignant still duet between Barbara Wylie's clarinet and Jamie Talbot's soprano before taking off into the blue yonder. "High Priestess" had Guy Barker, Peter King and Patrick Clabach (sax) out front, issuing slippery harmonies.

In October Joseph hosts the first Wigmore Jazz Series in London and in November tours his extended group, The Forum Project. The third album is due next year. On the strength of this weekend's display, we have much to look forward to.

Edinburgh Festival/Clement Crisp

## Miami City Ballet

Ballets die each time the curtain falls. Every performance after the first night is an act of erosion, albeit also one of exploration, as dancers and public come to understand what the choreography is saying. A revival is an act of betrayal, as the egos of producers, coaches, dancers, have their way with the text, declaring that the creator wanted this, that he intended that - with no two authorities ever in accord.

How then to preserve ballets, to save masterpieces for the future in something like their original form? It is a question to which Miami City Ballet has provided some fascinating answers in its programmes of Balanchine ballets at the Edinburgh Festival this year. The troupe is only in its ninth year but it is directed by Edward Villella, a star of Balanchine's company for 20 years. He has transmitted to his artists his reverence for Balanchine as a creator, together with something of his own power and vitality as a dancer.

So the company shows Balanchine ballets with a verve and a freshness which make every step seem vital, restoring that freshness of impetus, that sense of committed energy, which is the life-blood of the Balanchine manner. They are not so polished as New York City Ballet casts, but nor do they look as glossy in manner. For them, dancing Balanchine is a journey of discovery - of themselves as artists quite as much as of the ballets. They are not coherently schooled, yet variety of training brings a savour of individuality to illuminate the choreography. Most important, Villella and his coaches have inspired casts to dance these masterpieces as if they were new.

And new-minded, freshly exciting is how the ballets looked performance after the first night as the Miami season ended at the Edinburgh Playhouse.

A quadruple bill brought *Serenade*, *Four Temperaments*, the *Tchaikovsky pas de deux*, and *Western Symphony*, danced to the hilt. I did not suppose that, after all these years, *Serenade* could look so youthful. But Maribel Modrono, Myrna Kamara, Sally Ann Isaacs and their colleagues darted and sailed on the music's pulse as if hearing it, and being inspired by it, for the first time. It was, in the best sense, urgent, and their joy was our joy. *Four Temperaments* was strong in flavour, bright in outline. A remarkable young Chinese dancer, Lin Zhen, sunk deep into the troughs of the melancholic variation. Christopher Roman made much of the broken outlines of the Phlegmatic writing. These performances, and Myrna Kamara's raging force as the Choleric humour, were authentic, splendid.

What MCB showed us, as it did in its newest acquisition, *Western Symphony*, was Balanchine danced with the love, dedication and understanding which can, despite all the odds, still guarantee the continuing life of choreography in the theatre. Miami's energies may sometimes seem a little raw, but Balanchine reproached polite dancers in class by asking "What are you saving your self for?" Miami's dancers do not save themselves for a second. They dance for Balanchine, and they are splendid.

The musical standards of this visit have been high, the Royal Scottish National Orchestra playing each score lovingly under Akira Endo's baton.

MCB's visit was sponsored by Hertz.



Myrna Kamara in Balanchine's 'Serenade'

## Humane observations

The perceptibly larger share of drama claimed by gay themes at this year's Edinburgh fringe still leaves room for old friends like Jack Klaff, whose acute and humane observations on the way of a man with a maid (and vice versa) can be seen at the Assembly Rooms. *More Cuddles Now* has all the Klaff virtues: a wicked ear for the banalities of dinner-party profundities, the quickfire kaleidoscope of clichés behind which we almost but do not quite hide, and the self-sustaining jargon with which we save hurt pride - "You're really for the pace," says the disgruntled man when the woman is offered a high-powered job in his field. "We should have a discussion about how fast we're to walk."

Klaff portrays all the characters, not as an impersonator but as a sketcher with a lightened tone and economic body language. The central thread is the relationship between Mike, of Aldwych Films, and Kim, who comes to him with an idea for a film on children and art. Growing attraction is charted with Klaff's customary amusement at external cool and internal turmoil, hopes, fears, agonising self-consciousness. ("This woman has not blinked for twelve minutes") is one desperate inner comment.

He fancies himself, she guesses. Their affair is fondly chronicled ("unique... never

been able to talk to anyone before"), the living together and clashes over life-style ("I don't think you know what pastel means"). For me pastel is girly". Riffs and rows prompt a ventriloquist episode with a squeaky-voiced quark that takes the place of conscience for both partners. Towards the end, kids, serenity and the death of Kim are telescoped into a bumpily-attained happy ending: "We showed them. We made it"

Klaff's satire on how the sexes communicate is as effective

Martin Hoyle enjoys 'More Cuddles Now' on the Edinburgh Fringe

tionate as ever without losing its bite. His repertoire now includes a monstrous id, apeline and bellowing, inside Mike, providing a counterpoint to the careful political correctness he comes out with, not always for the most correct of motives.

Funny thing, relationships... Also at the Assembly Rooms 734 Scotland gives the premiere production of *Twilight Shift* by Jackie Kay. Kay is a considerable poet, and her heightened sense of language (even including rhymed couplets at times) permeates the play. It all adds to the unreality of this study of a gay relationship in a small mining community.

It is any sense of that community which is lacking, however. There is no feeling that Joe, the homosexual barber, has ever faced hostility or the need to conceal what he is, though the audience is evidently meant to take this for granted. Steven Wren plays him as uncomplicatedly cheerful as opposed to the tortured emotional writhings of his secret lover, Alexander, a married man with a child.

The cast of four is completed by the two men's womanfolk, grandmother and wife respectively. Deirdre Davis's Ella is intelligent and touching as she perceives her husband growing away from her. Her tendency to compare herself with the heroine of *Middlemarch* (the book, Penguin edition, mark you, not the television serial) I attribute to the traditional superiority of Scottish education in even small mining communities. The climax is wildly contrived - the revelation of a love between the fathers of Joe and Ella - and only just avoids melodrama.

In Reekie's direction is intense, spare and stylised, except for some rather glassy-eyed fondling for the men. The recorded poem of a child mine-worker is beautiful. But the play is the work of a poet, whose characters are explored in a vacuum rather than the fully depicted world of a natural dramatist.

## INTERNATIONAL ARTS GUIDE

### FESTIVALS

#### ■ BAYREUTH

Final performances of this year's new Ring production are tomorrow (Siegfried) and Sat (Götterdämmerung). It is staged by Alfred Kirchner, designed by Rosalie and conducted by James Levine, with Deborah Polaski as Brunhilde, John Tomlinson as the Wanderer and Wolfgang Schmidt as Siegfried. The festival ends on Sun with Heiner Müller's staging of Tristan und Isolde, conducted by Daniel Barenboim, with Siegfried Jerusalem and Waltraud Meier in the title roles. Wolfgang Wagner, the composer's grandson and festival director since 1951, celebrates his 75th birthday next Tues. There will be no new production at next year's festival, which will open with a revival of Wolfgang's 1935 production of *Tannhäuser*. (0921-20221)

#### ■ BESANCON

Besancon is best known in the musical world for its conductors' competition, but this has now been

turned into a biennial event. However, the annual music festival has developed a momentum of its own, reflected in the high calibre of artists on this year's programme (Sep 2-18). The opening concert is given by the Pittsburgh Symphony Orchestra under Lorin Maazel. Other visiting ensembles include the Dresden Staatskapelle with Collin Davis, Il Giardino Armonico in a baroque programme and the Hungarian National Philharmonic Orchestra. Recitalists include Matt Haimovitz, Michel Delorbo and the Alban Berg Quartet (8181 8226)

#### ■ LINZ

The annual Bruckner festival in this Austrian town (Sep 11-Oct 2) opens with Riccardo Muti conducting the Vienna Philharmonic in Bruckner's Seventh Symphony. Giuseppe Sinopoli conducts the Philharmonia Orchestra in two concerts, and Semyon Bychkov conducts the Orchestre de Paris in Bruckner's Ninth. Marek Janowski conducts a concert performance of Wagner's *Lohengrin*, with a cast headed by Peter Seiffert and Eva Johansson. Other visitors include the Hagen Quartet, Christian Zacharias, Simon Estes and Mauricio Kegel. The final two concerts are given by the London Philharmonic under Franz Welser-Möst (Brucknerhaus-Kasse, Untere Donaulände 7, A-4010 Linz. Tel 0732-775230)

#### ■ SALZBURG

OPERA/THEATRE This year's festival winds up over the coming week. In the Grosses

Festspielhaus, there are final performances tonight and Fri of the new Barenboim/Chéreau production of Don Giovanni, with a cast headed by Ferruccio Furlanetto, Bryn Terfel and Catherine Malfitano. Boris Godunov, staged by Herbert Wernicke and conducted by Claudio Abbado, can be seen tomorrow with Samuel Ramey in the title role. The new Stravinsky double bill - staged by Peter Sellars, conducted by Kent Nagano and designed by an avant-garde team of German architects - can be seen on Sat evening and Tues afternoon, with a cast including Agnes Baltsa and Thomas Moser. Chris Merritt, Ann Murray and Susan Graham star in La clemenza di Tito tonight, Fri and Mon in the Kleines Festspielhaus. Deborah Warner's production of Shakespeare's *Coriolanus* is performed on Fri, Sat and Sun afternoons in the Felsensteintheater, with Bruno Ganz in the title role. Both Strauss' play *Das Gleichgewicht* (Equilibrium) runs daily till Sun at the Landestheater.

CONCERTS Pierre Boulez conducts the Vienna Philharmonic on Sat morning in works by Debussy, Ravel, Stravinsky, Webern and Berg, with soprano soloist Felicity Lott. Seiji Ozawa conducts the Saito Kinen Orchestra on Sun morning in Stravinsky and Shostakovich, and Claudio Abbado conducts the Berlin Philharmonic on Sun evening (Mahler's Ninth) and Mon at 18.00 (Russian programme). Georg Solti conducts the Vienna Philharmonic next Mon late evening and on Tues in a Wagner, Strauss and Beethoven programme, dedicated to the memory of Karl Böhm. The final

concert next Wed is given by the Pittsburgh Symphony Orchestra under Lorin Maazel.

#### ■ FESTIVAL BOX OFFICE:

0662-844501. Potzer Ticket Centre: 0662-843685.

#### ■ TURIN

Turin's annual music festival, Settembre Musica, opens on Sep 3 with a concert at the Teatro Regio by the Vienna Philharmonic Orchestra conducted by Riccardo Muti, featuring symphonies by Mozart and Beethoven. Other highlights of the festival, which runs till Sep 22, include performances by Steve Reich and Musicians, the Dowland Consort, the Royal Concertgebouw Orchestra under Riccardo Chailly and the London Symphony Orchestra under Michael Tilson Thomas. There will also be concert performances of Gluck's *Orfeo* and Debussy's *Pelléas et Mélisande* (011-562 0450)

#### ■ UTRECHT

The Holland Festival has organised a week of early music events in Utrecht from August 25 to September 4. Friday's opening concert of Rameau and Moutet is given by Les Musiciens du Louvre conducted by Marc Minkowski, followed on Saturday by a Lully choral and orchestral programme conducted by Hervé Niquet. Sunday's concert by Concerto Italiano features madrigals by Lassus. Other highlights include a Mozart and Haydn concert on September 3 with the Orchestra of

the 18th Century conducted by Gustav Leonhardt, and a Chaperon programme the following evening, played by Les Arts Florissants under William Christie. Most events take place at the Vredenburg concert hall (030-340921)

#### ■ WARSAW

This year's Warsaw Autumn contemporary music festival (September 15-24) offers tributes to three recently-deceased Polish composers - Witold Lutoslawski, Andrzej Panufnik and Roman Haubenstock-Ramati. Anne Sophie Mutter is violin soloist (Sep 18) in a programme devoted to Lutoslawski, who was for many years a leading light of the festival, and composed several pieces specially for Mutter. Antoni Wit conducts the Polish Radio Symphony Orchestra in Panufnik's *Sinfonia di Sere* (Sep 18), while Klugform Wien devotes a whole programme (Sep 19) to Haubenstock-Ramati, who was music director of Cracow Radio in the late 1940s, before emigrating to Israel and later settling in Paris and Vienna. The younger generation of Polish composers is represented in a lunchtime programme on Sep 17 entitled *Hits from the Sixties to the Nineties*, featuring the Nontron Ensemble and Silesian String Quartet. Among the foreign composers represented at this year's festival are Henri Dutilleul, Magnus Lindberg, Bright Sheng, Salvatore Sciaccino, Elliott Carter and Cornelius Cardew. Festival office: Warsaw Autumn, Rynek Starego Miasta 27, 00272 Warsaw, Poland

(tel/fax 022-310607). During the period Sep 12-25, all enquiries to Warsaw Autumn, Hotel Europejski, Krakowskie Przedmieście 13, Warsaw (tel 022-265051 fax 022-261111)

#### ■ WEXFORD

This year's festival runs from October 20 to November 8. The three operas chosen by Elaine Padovani for her final year as artistic director are Anton Rubinstein's *The Demon*, Ruggero Leoncavallo's *La bohème* and Wagner's *Das Liebesverbot*.

The Rubinstein work will be conducted by Alexander Anissimov and staged by Yefim Maizel, and the cast will be headed by Anatoly Loshak and Alison Browner. The Leoncavallo will be conducted by Albert Rosen and staged by Reto Nickler, with a cast headed by Jungwon Park, Magali Damonte and Jean-Pierre Furlan. The Wagner will be conducted by Yves Abel and staged by Dieter Kaegi, with Robert Holzer as Friedrich.

### ARTS GUIDE

Monday: Performing arts guide city by city.  
Tuesday: Performing arts guide city by city.  
Wednesday: Festivals guide.  
Thursday: Festivals guide.  
Friday: Exhibitions Guide.

European Cable and Satellite Business TV (Central European Time)

MONDAY TO FRIDAY  
NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

MONDAY  
NBC/Super Channel: FT Reports 1230.

TUESDAY  
EuroNews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY  
NBC/Super Channel: FT Reports 1230

FRIDAY  
NBC/Super Channel: FT Reports 1230  
Sky News: FT Reports 0230, 2030

SUNDAY  
NBC/Super Channel: FT Reports 2230

Sky News: FT Reports 0430, 1730.

# UK needed at the heart of Europe



PERSONAL VIEW

Recent events in Europe - from the argument over the successor to Jacques Delors as president of the European Commission to the fate of war-torn Bosnia - have highlighted the difficult evolution of relations between the continent's nation states.

There is a growing tendency to form alliances between European Union members on the basis of national interests. Germany and the UK are promoting deregulation. UK foreign minister Mr Douglas Hurd and his French counterpart Mr Alain Juppé have taken the lead in trying to find solutions for Bosnia. Mr John Major and Mr Silvio Berlusconi have compared notes on European policy. And there is always Franco-German co-operation, said to be the motor of European integration.

As in any community, this tendency for shifting alliances within the EU can be healthy - as long as there is a basic consensus within the EU on objectives. In these times of political and economic reorientation it is of paramount importance for the EU to maintain this consensus and develop it further.

It is reassuring to see the UK playing an active part in this process - after a period of concern that its position could become increasingly defensive. For industry it is encouraging to note that the UK government has identified the search for measures to establish a competitive framework for European companies as one of its priorities. Deregulation, dismantling the bureaucracy and privatisation in key sectors, such as energy and telecommunications, are in our mutual interest, be it on a national level or in Brussels. Here we have classic British-German co-operation, as in the attempt by the two countries to find strict criteria for subsidiarity within the EU.

The principle of subsidiarity is basic to the functioning of markets and - in a broader sense - for democracy, as we in Germany know from experience. But we must also realise that there are limits to subsidiarity in any community, particularly in areas that are cru-

cial to industry, such as environmental policy or export controls on weapons and the technology of mass destruction.

The UK has decided to opt out of the social chapter of the Maastricht treaty. It seems doubtful that this decision is really in the interests of the country, and of its industry in particular. We cannot avoid a discussion with other EU countries on social policies, as is illustrated by the recent debate on the misperceived works council directive. It is always better to try to influence decisions that may have consequences for British industry than just to stand aside.

Recently, the Confederation of British Industry presented its business agenda for Europe. German industry is in line with most of the CBI's priorities. We underline the importance of the completion of the single market as a big achievement and the linchpin of the EU. We also agree with the CBI's proposition that Europe's future cannot simply rest on free trade or the single market.

Because our industries are increasingly global, we know that our home base, the EU, is central to our competitiveness. Economic convergence cannot be achieved simply through macroeconomic policies and should not be hastily arranged for political reasons. Stability, predictability and favourable conditions throughout the Union - in monetary policy, interest rates and exchange rates - are of great importance for our companies. The Maastricht process is far from perfect, but it is a credible attempt to take the Union forward. Economic and monetary instruments should not be misused to promote policy objectives that would not otherwise be implemented. But would it not be in the interest of our companies if the single market were complemented by a European Monetary Union - provided, of course, that monetary stability

is guaranteed? German-based companies are increasingly adopting European strategies and even identities. They are already pursuing their own vision of a united Europe. Various national interests could get in their way, as politics in Europe is trailing far behind. It is in the interest of European industry to strengthen - and to deepen - co-operation, be it economic and monetary policy, foreign and international security policy, or the co-ordination of internal policies such as crime control. It is also in the interest of European companies to develop a trans-European infrastructure. This is true for information technologies which are at the heart of our future competitiveness. We must think beyond national borders and establish new European structures vigorously. Equally important is an improved transport network. Though the UK has no land link with the rest of the continent, this geographical insularity should not detract from its interest in a modern infrastructure that would benefit both continental and UK distributors.

We should be realistic about what can be achieved in the process of integration and how serious the temptations for misguided quick fixes are. This is particularly true for the European monetary union which has so far not been properly thought out and suffers from an ambitious, possibly unrealistic schedule.

But there is no reason to disbelieve that one day the UK, along with Germany and others, will be part of a monetary union.

We must be careful not to follow obsolete concepts of national interests and shifting alliances between nation states. This is a challenge for all, but a particular one for those who consider themselves the great architects of Europe. The UK should be among them.

**Dr Ludolf von Wartenberg**  
The author is director-general of the Federation of German Industries

is guaranteed?

German-based companies are increasingly adopting European strategies and even identities. They are already pursuing their own vision of a united Europe. Various national interests could get in their way, as politics in Europe is trailing far behind. It is in the interest of European industry to strengthen - and to deepen - co-operation, be it economic and monetary policy, foreign and international security policy, or the co-ordination of internal policies such as crime control. It is also in the interest of European companies to develop a trans-European infrastructure. This is true for information technologies which are at the heart of our future competitiveness. We must think beyond national borders and establish new European structures vigorously. Equally important is an improved transport network. Though the UK has no land link with the rest of the continent, this geographical insularity should not detract from its interest in a modern infrastructure that would benefit both continental and UK distributors.

We should be realistic about what can be achieved in the process of integration and how serious the temptations for misguided quick fixes are. This is particularly true for the European monetary union which has so far not been properly thought out and suffers from an ambitious, possibly unrealistic schedule.

But there is no reason to disbelieve that one day the UK, along with Germany and others, will be part of a monetary union.

We must be careful not to follow obsolete concepts of national interests and shifting alliances between nation states. This is a challenge for all, but a particular one for those who consider themselves the great architects of Europe. The UK should be among them.

We must be careful not to follow obsolete concepts of national interests and shifting alliances between nation states. This is a challenge for all, but a particular one for those who consider themselves the great architects of Europe. The UK should be among them.

**Dr Ludolf von Wartenberg**  
The author is director-general of the Federation of German Industries

This is even worse than doing the exams," said Alison, a nervous school leaver from Sussex, yesterday. She was waiting for the listing today of UK university places that were not filled when last week's A-level results were unveiled.

Her concern was understandable. After a decade in which the number of university places on offer has increased each year, this autumn the numbers admitted will be the same as in 1983. Having seen student numbers double since the early 1980s, UK universities are at last slamming on the brakes.

Admissions tutors are limiting the number of entrants mainly because the government has given them no choice. Universities will be given less state funds per student if they allow the number they recruit to rise by more than 1 per cent this year - the first time in recent years that they have been penalised for growing too fast.

Many universities object to the government's methods, which they consider unnecessarily heavy-handed. The Committee of Vice-Chancellors and Principals, which represents university heads, said the cap on admissions could mean a "massive denial of opportunity" for students. They blame ministers for not anticipating how fast higher education would expand - and then over-reacting when they realised they had miscalculated.

When Mr Kenneth Baker, the then education secretary, announced in 1989 a push towards a system of "mass higher education" he set a target of 30 per cent of 18-year-olds entering university by 2000. That target was passed last year.

But there is a growing acceptance among universities that, even without government intervention, they would be best advised to consolidate for several years.

To do otherwise, the committee has been warned by higher education experts, would risk exacerbating already serious funding problems and compromise quality. It would also run the risk of flooding the labour market with graduates.

The number of universities has almost doubled since 1992 thanks mainly to the upgrading of polytechnics, which were previously funded by local education authorities. There are now 89 UK universities, 41 of which have gained that status since 1992.

New universities have expanded fastest. De Montfort Uni-

# Hard test at end of a crash course

After a decade of fast growth, the UK university system is examining its future, says John Authers

University, formerly Leicester Polytechnic, is the fastest-growing university in western Europe. In the 1986-87 academic year it had 8,000 students. By 1993-94 that figure was nearer 18,000 and by the end of this year should reach 25,000.

Almost inevitably, growth on this scale has brought funding problems. The amount the government pays to universities per student (excluding maintenance grants) has dropped by more than 30 per cent since 1980 in real terms, and the government is looking for a further fall of 10 per cent over the next three years.

Even in the longer term, a report by Professor Gareth Williams and Dr Heather Fry of London University's Institute of Education warns vice-chancellors not to expect any increase in government funding. They point to Organisation for Economic Co-operation and Development figures which show that UK state funding for education as a proportion of national income is higher per student than in any other western nation.

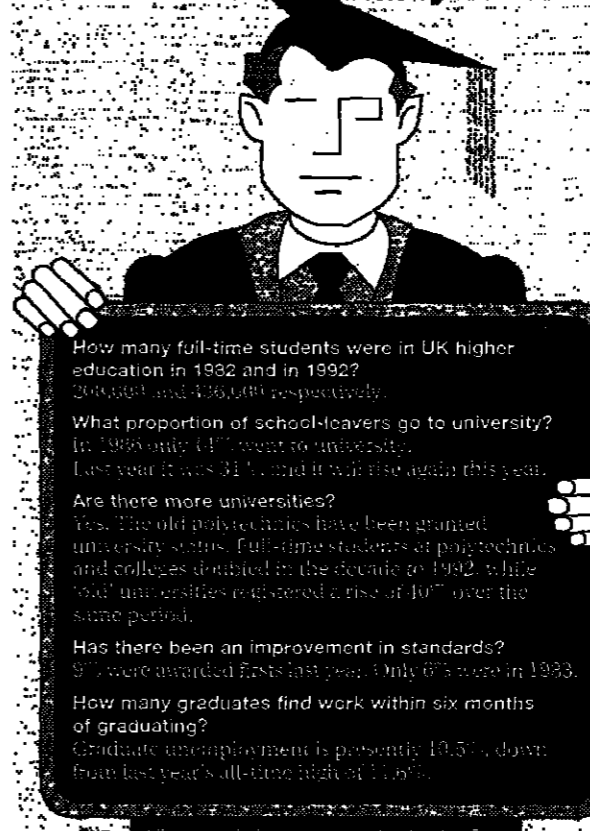
The effects of reduced funding are already being felt in more crowded lecture halls. Five years ago there were 10.6 students to every lecturer; now there are 14, according to the Association of University Teachers.

Meanwhile, claims the vice-chancellors' committee, higher education institutions have not been able to keep their buildings up to standard and need £1.35bn just to clear the maintenance backlog.

The experience of Germany suggests that rapid expansion of higher education can jeopardise quality, as well as adding to financial pressures. German universities were once as exclusive as the UK system, catering for only 5 per cent of young Germans in the 1960s. Now the figure is 30 per cent.

Of these, 40 per cent drop out within the first two or three years without qualifications. But about a third stay for more than seven years. That suggests the system has not been

UK universities: the key facts



able to cope effectively and efficiently with the increase in numbers and is wasting resources.

Some UK academics fear the reduction in state funding per student has already affected the country's academic standards. Earl Russell, a Liberal Democrat peer and history professor at London University, has argued that undergrada-

ates, unless they have rich parents, are forced to work during term time and so spend less time on studies. He sparked controversy by adding that as a result: "Academics, often unconsciously, have lowered their requirements for work to what their students are able to do, so that an Upper Second in 1982 may involve less work than a Lower Second in 1984." Vice-chancellors deny that

this has happened, but the proportion of students at "old" universities (that is, excluding former polytechnics) being awarded first-class honours degrees has risen by 50 per cent over the past decade, even though a much larger proportion of the population is sitting degree examinations. That implies quality might have been diluted.

The Institute of Education's report also warns that the increase in institutions awarding university degrees could affect quality. "So far the system has been able to sustain the credibility of the doctrine that all degrees are formally equivalent if not exactly equal. At issue for the future is the extent to which this belief will remain convincing, and if not what will replace it."

The rapid expansion of higher education is not necessarily good news for students either, when they start looking for jobs. With twice as many graduates entering the job market each year, a degree cannot guarantee the same opportunities as a decade ago.

According to the Institute's report, "graduates will need to accept career patterns" which are "markedly different from those of the past... It is not clear that most students have yet come to terms with this change in prospects."

Experience from the US, where the number of students graduating each year has trebled since 1951, suggests that employers will adjust recruitment practices accordingly.

The Institute of Manpower Studies, based at Sussex University, found that after increasing steadily throughout the 1960s, US real starting salaries peaked in 1969 (at \$25,288 in 1990 prices), and then dropped by 16 per cent over the next two decades, to \$21,319 in 1990.

Meanwhile the proportion of US graduates accepting jobs for which a degree was not a requirement rose from 11 per cent in 1969 to 20 per cent in 1990. This is projected to reach 30 per cent by 2005.

Similar trends are already emerging in the UK. Graduate unemployment is at record levels, while starting salaries failed this year to keep pace with inflation for the first time since records began in 1980, according to the Higher Education Careers Services Unit.

Traditional graduate recruiters, such as accountancy firms, continued to offer attractive salaries, according to Mr Colin Lawton, the unit's statistical assistant, but the average was being dragged down by smaller firms, which had not recruited graduates before.

By holding numbers constant this year, universities should be able to create a breathing space in which to address such problems. That will require examining the service they can offer in an increasingly "mass-market" higher education system, and the trade-off between quality and quantity when resources are limited.

As Mr Baker observed in 1989: "The structures appropriate to higher education with 3 per cent participation, or even a 13 per cent participation, simply cannot be sustained when participation rises to 30 per cent."

## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL  
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

## Widespread support for blank tape levy

From Mr Wayne Bickerton.  
Sir, Emma Tucker ("Blank tapes may rise if EU supports levy plan", August 18) makes several misguided predictions about the effects of the European Commission's proposal to protect music copyright through a Europe-wide levy.

Through the government has opposed this initiative in the past, the Music Copyright Reform Group, which represents those who create, own, publish or administer copyright music or lyrics, has

found widespread support for the proposal. Indeed, harmonisation of private copying legislation in the EU has even been welcomed by blank tape manufacturers.

The suggestion that a levy would "punish ordinary consumers" is not borne out by the experience in other European countries. In France, Germany and Austria, prices have fallen after the introduction of the levy due to intense competition between blank tape manufacturers. We believe that a

reasonable levy for audio tapes could and would be fully absorbed by the blank tape manufacturers, who have benefited enormously from the public's ability to copy copyright music (research shows more than 80 per cent of blank tapes are used for this purpose).

The proposals would not be bureaucratic, as suggested, since the organisation necessary to administer the distribution system for the levy exist in the UK. Nor would the blind and other disadvantaged users of blank tapes be hit as the

proposal allows member states to exempt or compensate them.

The UK government should realise that the proposed levy aims fully to compensate composers and music publishers for widespread, illegal private copying of pre-recorded music. The MCRG hopes that ministers will give their full support to protecting the interests of the UK music industry which plays such a vital role in the heritage of the UK and Europe. Wayne Bickerton, Music Copyright Reform Group London W1P 4AA

## Highest ethical principles always upheld

From Mr T Gordon Roddick.  
Sir, We would like to respond to a number of points made in Andrew Jack's article on The Body Shop ("US ethical fund turns against Body Shop", August 19).

There were no "emissions" from our former New Jersey "factory". Rather, there were two accidental spills of 30 gallons of shampoo at our former bottling plant two years ago. In line with our policy, we immediately notified the authorities. There was no breach of environmental law, no citation, no "emissions". I'm sorry that we spilled some shampoo, but whenever there are human beings around, there will be minor accidents. The reference to "oil-based ingredients" is perplexing: perhaps the Financial Times was referring to mineral oil. If so, then you should be aware that this is the same ingredient which has been slapped on babies' bums for generations in England without adverse effect!

The accusation that I find personally most offensive is the suggestion that we lack "commitment" to our trade-not-aid programme. No one should doubt our commitment. Some of our critics' arguments

about trade-not-aid centre around a percentage game that misses the point. They say that, because our trade-not-aid purchases form only a small percentage of our total, we should not talk about it nor have prominent displays or window posters relating to it.

We say that trade-not-aid is a very important part of our business, on which we spend a disproportionate amount of time and money. Let me give one example of how it works with one ingredient: Brazil nut oil is pressed in the Amazon jungle by Kayapo Indians. We use the oil in our Brazil nut conditioner. It comprises 1.5 per cent of total product volume, making it an insignificant percentage of the total ingredient list. We use 1.5 per cent because it is what works: use less and it would be ineffective; use more and your head would look like an oily mess. Financial and managerial efforts on these many projects far outweigh their naked value to us.

As for the supposed lack of public information, we publish our product information manual in every store worldwide giving facts about ingredients and their properties. We are at the forefront of companies in Europe in listing ingredients on our product labels, though not yet required by law. For the third year running, we have voluntarily published an independently verified environmental statement in our Green Books. We make explicit our stance on animal testing. I sometimes think we overdo on providing information.

We will continue to develop our business with the highest of ethical principles. This is why we recently institutionalised our values in amending our memorandum of association, passed by our shareholders at the recent annual general meeting. This is why we have set up the Values and Vision Centre uniting our Against Animal Testing, Environmental, Fair Trade and Human Rights departments in a group working directly with Anita. This is why we published our company mission statement, and soon will publish our trading charter. If this, and what we have done over the past 18 years, is not good enough for the cynics, that's their problem - not ours.

T Gordon Roddick, The Body Shop International, West Sussex, BN17 6LS

the Body Shop's ethical performance could hurt the company's stock price in the short term. We would like to clarify that at this time we are researching these allegations and do not necessarily share them. We are independently researching a report on the Body Shop's ethical performance, which we have not finished, nor have we reached any conclusions.

It is therefore inaccurate for the headline to say that Franklin Research & Development has "turned against" the Body Shop. While we have turned against the stock for a variety of reasons, we have not taken this same position towards the company.

If the results of our ethical analysis are positive and the company's stock were at an attractive valuation, The Body Shop would certainly be a company whose shares we would consider buying again.

Patrick McVeigh, Senior vice-president, Franklin Research & Development Corporation, 711 Atlantic Avenue, Boston, MA 02111

## Not against the Body Shop

From Mr Patrick McVeigh.  
Sir, On August 19 you carried a somewhat inaccurate headline to an article regarding our company's sale of The Body Shop's stock earlier this summer ("US ethical fund turns against Body Shop").

As you point out, one factor (of several) leading to our sale was a belief that negative allegations scheduled to be published in the US press regarding the Body Shop's ethical performance could hurt the company's stock price in the short term. We would like to clarify that at this time we are researching these allegations and do not necessarily share them. We are independently researching a report on the Body Shop's ethical performance, which we have not finished, nor have we reached any conclusions.

It is therefore inaccurate for the headline to say that Franklin Research & Development has "turned against" the Body Shop. While we have turned against the stock for a variety of reasons, we have not taken this same position towards the company.

If the results of our ethical analysis are positive and the company's stock were at an attractive valuation, The Body Shop would certainly be a company whose shares we would consider buying again.

Patrick McVeigh, Senior vice-president, Franklin Research & Development Corporation, 711 Atlantic Avenue, Boston, MA 02111

## Better a trading partner than a paranoid enemy

From Mr Karl A Ziegler.  
Sir, As a London-based US citizen observing the Cuban situation, I agree with your leader's timely suggestions ("A new deal for Cuba", August 22).

It is absurd for US taxpayers to subsidise further a costly and militant posture against

most Cuban residents, whose principal ambition is greater exposure to the "free world's" markets; its goods, services, ideas, tourists, institutions and its relative freedoms.

The anti-Castro lobby in Florida should take the lead in encouraging political and economic liberalisation within

Cuba. History has shown that a paranoid enemy is usually more problematical than a co-operating trading partner.

Karl A Ziegler, The Centre for Accountability and Debt Relief, 6 Bradbrook House, Elmerton Street, London SW1X 8EL

# IS INTERNATIONAL INVESTMENT

## ALL GREEK TO YOU?

It needn't be.

Financial Times Magazines publish a monthly magazine specially written for the investor with a global perspective. We recognise the need for impartial investment advice - written by people who understand every aspect of overseas investment.

It's called *The International*.

And you don't have to be an economist to understand it.

Please return to Kevin Phillips, The International, Greystoke Place, Fetter Lane, London EC4A 1ND, UK

Yes, please send me, FREE and without obligation, for one year, my monthly copy of *The International*, the personal finance magazine from the Financial Times.

Mr/Ms/Mrs  
Job title  
Nationality  
Company/Private Address

Country Postcode

Sign here only if you wish to receive a regular copy of *The International*.

Signature Date

Job Status

1 Proprietor/Part-Employed/Partner  
2 Employed  
3 Consultant  
4 Retired  
5 Student/Unemployed

Nature of Business

1 Financial Services  
2 Construction  
3 Other Services  
4 Transport/Travel/Communications  
5 Distribution/Retail/Wholesale  
6 Extraction (Oil/minerals, etc)  
7 Manufacturing/Engineering  
8 Other (Please state)

Age

1 Under 25  
2 25-34

Types of Investment Currently Held

1 Domestic Equities  
2 International Equities  
3 Offshore Deposits  
4 Property  
5 Bonds  
6 Precious Metals/Gems  
7 Unit Trusts/Mutual Funds  
8 Other International Investments  
9 None

Which of the following do you have?

1 Credit Card (e.g. Visa)  
2 Gift Card  
3 Charge Card (e.g. Amex)  
4 None

Handwritten signature or mark at the bottom of the page.

## FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL  
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Wednesday August 24 1994

## Mr Zedillo's long agenda

The candidate of Mexico's ruling Institutional Revolutionary Party, Mr Ernesto Zedillo, won a convincing victory on Sunday in the most competitive elections in Mexican history. He would be making a grievous mistake, however, if he interpreted that victory as a signal that he should leave Mexico's political system unchanged.

Many voices in the ruling party will be telling Mr Zedillo that the wide margin of his victory means he should leave well alone. He should ignore them. Another six years of denying the political opposition a proper voice would serve only to intensify the strains which nearly took Mexico's body politic to breaking point this year.

His first gesture of consultation to opposition parties is welcome. But given the tenacity with which the PRI has held on to power in its 65 years in office, Mexicans are sceptical of gestures. Mr Zedillo needs rapidly to take action.

A democratic system will only emerge if the ruling party is itself made democratic. Mr Zedillo can begin work before he takes office by embarking on reform of the PRI. This enormous task of dismantling the PRI from the structures of the state has frustrated his predecessors since 1965.

An integral element of the needed reform is to give to party members the right to choose candidates. This will deprive the president of an important lever for the management of the state, but is essential if the PRI is to be converted into a modern political party. Such reform has its dangers: the powerful and often undemocratic traditionalists may well take over parts of the party. However, if his candidates are forced to submit to free and fair elections for political office, the

danger may be reduced. Ensuring free and fair elections is therefore the next important reform. Although Sunday's elections were probably the fairest in Mexican history, it is clear that a substantial minority - with some justification - still considers the election process inequitable. Elections must no longer be a source of such political conflict. The way to ensure this is to hand the entire electoral process - lock, stock and barrel - over to the independent magistrates who oversaw Sunday's elections. These magistrates, chosen by consensus among the political parties, performed admirably, but were appointed late and were limited in their powers.

This is only the beginning of the huge task Mr Zedillo will face if he is to follow up on his campaign promises to turn Mexico into a modern, law-based society. Decentralising the political system, reforming the legal system and the country's corrupt and inefficient police forces, and reforming the social security and health systems are all necessary. Efforts in these directions will bring him into conflict with some of the country's most powerful vested interests.

The new president also inherits an unfinished agenda on the economy. He must rid the private sector of many of the obstacles blocking growth. These include monopolies both public - oil, railways and electricity - and private - in particular, telecommunications. Eliminating the monopolies would greatly enhance economic efficiency. If growth were, partly as a result, to be 5 or 6 per cent a year, rather than the 2 to 3 per cent achieved under the present administration, the country's tensions would be greatly eased.

## Milk shakes

It hardly seems fair. The UK government spent six years deciding the best way to reform the country's dairy market, only to be taken to court for botching the job. The Dairy Trade Federation announced this week that it is seeking judicial review of the government's efforts to shake up the milk market, which it claims threaten unnecessary price rises and job losses.

The Milk Marketing Board was at the heart of a cartelised system of UK milk provision which kept prices high and stifled innovation. Abolishing the MMB's monopoly over milk supplies and allowing processors to compete for supplies with the Board's successor, Milk Marque, was intended to reverse both effects. It has done neither.

What went wrong? The DTF's decision to seek a judicial review sounds like sour grapes. For the first time in 60 years, the dairy processors were this year allowed to bid direct for milk, but only managed to secure a third of what they required. The DTF's complaint stemmed simply from its members having lost the first

round of playing under the new rules, it should be rapidly dismissed. The trouble is that the rules themselves are fundamentally flawed.

Any reform labours under two obstacles. First is that the UK's milk quota under the Common Agricultural Policy, currently 85 per cent of the country's needs, will always allow someone in the industry to make excess profits. The second is that, by failing to break up the old MMB into competing regional entities, the government has preserved a single body with good chance of exploiting its position to share those profits with farmers at the expense of the processors.

The best way of reforming the milk market would, of course, be to abolish the CAP, although this is beyond the government's power. In the long run processors may turn to imports to make up their shortfall. But a quicker way of injecting flexibility into the current system would be to make milk quotas tradable across national borders. Meanwhile, the Monopolies and Mergers Commission might cast a fresh eye on the question of unfair competition closer to home.

## Russian debt

Just as night follows day, so does the growth of Russian inter-enterprise debt follow a credit squeeze. Such soaring indebtedness has happened before, notably in 1992, it is the predictable result of attempts at stabilisation; if the government gives in to the blackmail from enterprise managers, the problem will recur.

At its recently estimated level of Rb50,000bn (\$27bn), the debt enterprises have accumulated is not surprising that the government's resolve is crumbling, notwithstanding its agreement with the IMF last March. President Boris Yeltsin has, for example, already agreed to grant Rb35,000bn in low-interest credits to the defence sector and heavy industry. More may follow.

Regardless of privatisation, managers have not yet made the mental switch from supplying state-directed production, to satisfying paying customers. This, moreover, is the more benign aspect of the story. Enterprises without owners, operating in a society without effective laws, allow managers to privatise the gains and socialise the losses. Why not offer goods on credit, in return for bribes, debt and themselves with the money? Or why not sell goods abroad, put the proceeds in a Swiss bank account, leaving suppliers unpaid?

Managers confidently expect that the government will have to drop the needed cash from belt-tighteners. Yet their enterprises, as large holders of cash, are themselves victims of inflation. Worse, the government will only have to repeat the battle, in still more disadvantageous circumstances.

Targeted allocation of credits to high-priority industry is not the answer, since nobody knows which the high-priority industries actually are. Even closing insolvent enterprises may be a big mistake, since in so distorted an economy, it is difficult to know which enterprises should be closed. Nor can a mechanism for netting out inter-enterprise debt play a useful role at least until its growth has been halted.

It can be halted, however, by forcing enterprise managers to manage their cash flows, as has been done in other economies in transition. The debt overhang should be left to one side, at least for the moment. Meanwhile, by refusing a bail-out, the government will create huge pressure for payment within the enterprise sector. There is money. Enterprises must simply be forced to use it.

Mass unemployment is the spectre that stops this from being tried. The government needs to lay this ghost, by telling people that producing goods that are not wanted or, if wanted, are not paid for is unemployment. In addition, any money must go directly to workers, either as unemployment benefit or as payment for short-time working. It must not just be dumped on the enterprises.

This crisis has arisen partly because the stabilisation lacks credibility where it counts and partly because enterprises are in limbo, subject neither to the control of the state nor to that of owners. State control cannot be restored, while ownership will take time to establish. In the meantime, enterprises must be compelled to look after their cash flows. The printing press is not the answer.

For as long as anyone can remember, more people have quenched their thirsts with a Coca-Cola or its closest imitator, Pepsi-Cola, than any other soft drink money can buy. Together, they account for more than 50 per cent of all the carbonated drinks consumed worldwide. And yet... is it just possible that some of the fizz is going out of the market for two of the world's best-selling products?

In the US, which alone accounts for a third of the world market for soft drinks, consumers are showing signs of getting bored with Coke and Pepsi. These days, they want wider variety. Cola-flavoured drinks are slowly losing market share to new types of beverages such as iced teas, fruit drinks, bottled water and energy-giving sports drinks. In the late 1980s, according to US securities firm Salomon Brothers, colas took 63 per cent of the US soft drinks market. Last year, the figure was down to 58 per cent.

But alternative beverages are not the only worry for Coke and Pepsi. Until recently, the biggest threat to Coca-Cola and PepsiCo, the companies that make Pepsi, faced was each other. Now a bigger one seems to have emerged: the possibility that private-label manufacturers are taking an increasing share of a market that is in any case shrinking because consumers' tastes are changing.

At first sight, this proposition seems to be supported by PepsiCo's latest financial results. Its second-quarter profits this year were \$44m, excluding exceptional items unchanged from the same period the previous year.

Coca-Cola, however, increased net profits by 13 per cent to \$75m in the same period. More significantly, Coca-Cola's share price, currently hovering around its all-time high, suggests that investors think the company's glory days are far from over.

One reason why the companies' figures tell different stories is that, unlike Coca-Cola, PepsiCo derives only 35 per cent of its operating profits from soft drinks. A higher proportion, 57 per cent, comes from its fast food chains (Pizza Hut, Taco Bell and KFC - formerly Kentucky Fried Chicken), which suffered badly from price competition in the second quarter, and another 28 per cent comes from its Frito-Lay snacks business.

Another reason for the profits difference is their geographical spread. In the US, Pepsi's market share is almost as big as Coke's, but worldwide, Pepsi trails behind. About 50 per cent of Coca-Cola's total operating profits come from outside the US, while PepsiCo's beverage division earns less than 16 per cent of its operating profits from other countries. The result is that Coca-Cola is cushioned from the effects of competition in the US, while PepsiCo is relatively exposed.

Even so, neither Coca-Cola nor PepsiCo can afford to ignore US consumers' changing tastes. In the past few years, an increasingly health-conscious US public has shown signs of turning away from high-sugar soft drinks like Coke and Pepsi. At first, the trend was towards diet (low-calorie) versions

of the same drinks. But now the fastest area of growth is an ever-expanding variety of "natural" drinks and so-called New Age beverages, such as fruit juice drinks and iced teas. A driving force behind the trend has been Sunbelt Beverages, an upstart US drinks manufacturer that has rocketed to public prominence through rapidly rising demand for its New Age drinks, which include Raspberry Iced Tea, Amazin' Grape Juice and Mango Madness Cocktail.

This phenomenon has prompted a revolution at Coca-Cola and PepsiCo. Realising they cannot resist the market trend, the two companies have decided to join it. Both are diversifying away from their core brands and are launching new products that do not even carry the Coke or Pepsi names.

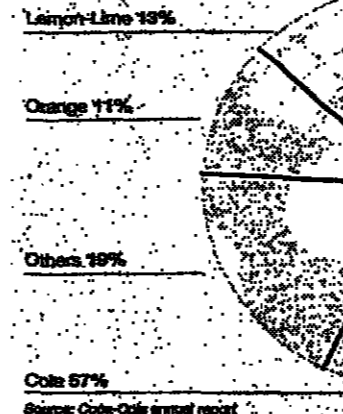
Coca-Cola, for example, sells a

## Tonic for fickle tastebuds

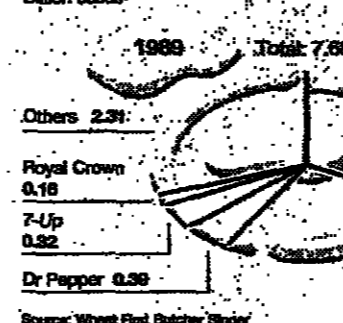
New Age soft drinks and own-label colas are posing a challenge to market leaders Coke and Pepsi, says Richard Tomkins

## Soft drinks market: a taste of things to come

World carbonated soft drink industry by flavour



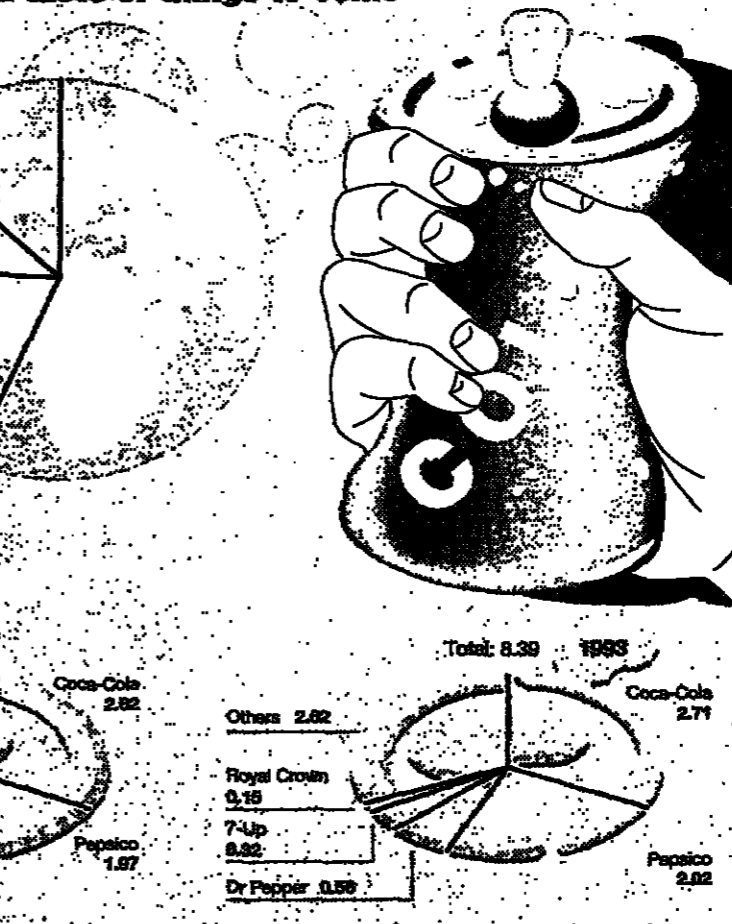
US carbonated drinks market



Source: Whelan Food Business Group

range of iced teas under the Nestle brand in a joint venture with Nestlé, the Swiss food group, while PepsiCo sells iced teas under the Lipton name in a joint venture with the Thomas J. Lipton tea company, the US subsidiary of Unilever. In March this year, Coca-Cola launched a range of New Age fruit drinks in the US under the Fruito brand, with names like Raspberry Psychic Lemonade and Grape Beyond; and earlier this month PepsiCo said it was forming a joint venture with Starbucks Coffee, a fast-growing US specialty coffee company, to launch a range of ready-to-drink iced coffees in bottle or cans under the Starbucks name.

These days, both Coca-Cola and PepsiCo make no attempt to disguise their willingness to spread into other kinds of soft drinks. PepsiCo acknowledges that some of



Source: Whelan Food Business Group

the fastest-growing product categories are outside its traditional soft drinks business, and talks of its all-out effort to become a "total beverage company". Mr Sergio Zyman, chief marketing officer of Coca-Cola, said at the time of the Fruito launch in March that the company planned to increase both the speed and frequency of its product launches to meet changing consumer demands, "aggressively addressing growth opportunities wherever they exist".

But while this approach may give Coca-Cola and PepsiCo a stake in the growth sectors of the soft drinks market, are their cola businesses in danger of withering under an assault from own-label brands?

Private-label colas have been around for decades, but in the last few years manufacturers have improved the flavour and packaging

of their products. Consumers are nowadays switching away from branded goods if they can get acceptable quality at a lower price from own-label products.

Earlier this summer PepsiCo suffered a fall of 2 per cent in operating profits from its soft drinks business. It turned out that Cott, the fast-growing Canadian maker of low-cost, store-branded foods and drinks, had quietly been signing up US store groups as customers.

This came only a few weeks after Coca-Cola, the US maker of Coke, had taken a drubbing from Cott in the UK. When Cott started supplying J. Sainsbury, Britain's biggest food retailer, with cans of own-label cola that looked like Coke but sold at about half the price, Coke's share of Sainsbury's cola sales initially slumped from 63 per cent to 33 per cent.

Yet even Royal Crown Cola, the US company that supplies cola syrup to Cott, says the threat to Coke and Pepsi has been exaggerated. Mr John Carson, RC Cola's chief executive, says recent inroads by own-brand colas have been limited to grocery store chains and discount stores, and even there they have come largely at the expense of earlier private-label products. "Private-label is definitely a thorn in Coke and Pepsi's side. It's real and they can feel it. But it's not a threat," Mr Carson says.

Cott also tends to play down the implications of its recent triumphs - with good reason. Cott is a minnow compared with Coca-Cola and PepsiCo, and it is painfully aware that it would be unlikely to survive retaliatory action if it came to an outright cola war.

Industry analysts say own-label products will continue to be an irritant to Coca-Cola and PepsiCo, but not much more. Most of them think any adverse effects on the companies' sales from private-label competition - or indeed from an increasing proliferation of alternative beverages - will be more than outweighed by the opportunities for growth in developing countries and recently opened markets such as eastern Europe and China.

While some of these markets may be less profitable than those in developed countries, particularly during the costly start-up phase, their sales potential is immense. At present, consumption of soft drinks outside the US averages four gallons per person per year. Inside the US, the figure is 49 gallons.

PepsiCo, more heavily exposed to the US market and less focused on soft drinks than Coca-Cola, is regarded by Wall Street as less well placed to benefit. But own-label products and New Age beverages notwithstanding, industry observers say it is much too soon to suggest that the growth is about to end for either company. Jesse Meyers, publisher of US trade magazine Beverage Digest, says their brands are strongly embedded in the global psyche. "I fully anticipate that when Virgin Atlantic Airways flies to the moon, we will be able to get off the plane and drink a Coke or a Pepsi," he says.

## Spot the Real Thing

water to 99 parts hype. But piecing together the available information, it is possible to pick up some clues as to the recipe.

In most countries, the basic ingredients are written on the side of the can or bottle. The biggest two are water and sugar. Caramel gives the drink its characteristic dark colour, and phosphoric acid gives it a tang. The caffeine is still there, though in much smaller quantities than a century ago. So are the coca leaves, but they have been decaffeinated.

The big secret lies in the so-called 7X portion of the formula - the part listed as "natural flavours" on the container. This comprises seven natural oils. Six are thought to be orange, lemon, nutmeg, cinnamon,

coriander and neroli (from a variety of orange blossom). The seventh is lavender or lime, according to which version you believe.

Knowing the list of ingredients, of course, is not the whole of the mystery; you still have to know how to mix them. Undoubtedly by the secrecy, however, people have been trying to imitate Coca-Cola since the day it went on to the market. Pepsi-Cola's origins go back almost as far as Coca-Cola's: to 1854, when Caleb Bradham, a North Carolina pharmacist, started selling a cola-based drink containing pepin as a tonic for the relief of dyspepsia.

Of the many smaller imitators worldwide, by far the most prominent today is Royal Crown Cola, a

Texas-based company formerly owned by the US financier, Victor Posner, but last year taken over by a newly formed New York-based conglomerate called Triarc.

RC Cola has been making and selling cola under its own name for decades, but since 1981 it has had another sideline: supplying cola syrups to Cott, a Canadian soft drinks company, which in turn uses them to make own-label colas for supermarket chains.

These Cott-supplied colas are better packaged than earlier private-label colas were. They also taste better: in conjunction with Cott, RC Cola has developed new formulas to meet individual retailers' specifications. But do they really taste anything like Coke

or, for that matter, Pepsi?

First, it can be surprisingly hard to tell the difference. In the absence of any independent consumer research on the subject, the FT's New York bureau had a highly unscientific blind tasting of Coke, Pepsi and RC Cola (a Cott-supplied private label). Of the six people who took part, only one succeeded in singling out the imitator.

Second, who cares? History has shown that people do not buy Coke for its flavour. In 1985, Coca-Cola took the extraordinary decision to abolish Coke in the US and replace it with the smoother, sweeter New Coke, which had consistently scored higher in blind tastings. The move was a disaster: the US public said changing the taste of Coke was like burning the American flag. Back came the old Coke, and it has been out-selling every other soft drink since.

## Cruiser bruiser

Argentina has a new constitution today, which, as well as giving president Carlos Menem the chance of remaining in power for another four years, removes the old requirement that the president must be a Roman Catholic. It also bans discrimination of practically every shade and manner.

Someone should tell Antonio Quarracino, the Catholic archbishop of Buenos Aires. The bishop has little time for homosexuals, and uses his weekly television programme to air his less than politically correct opinions.

Quarracino has just called for the creation of "a zone where all the gays and lesbians can live with their laws, their television and even their own constitution, where they can live in a sort of separate country with great freedom. In this way we will clean an ignoble stain from the face of society".

## Beastly Bodmin

It's better than swigging sangria in Alicante, but probably not much. Paul Tyler, Liberal Democrat MP for north Cornwall, has been spending his summer hunting the semi-mythical Beast of Bodmin, recently "sighted" less than a hundred yards from his home on the edge of Bodmin Moor.

## Chequered history

The good news is that the Russian government has finally decided to cough up for all the loot appropriated by the state in political repressions since the 1917 Bolshevik revolution. But the maximum compensation will be no more than 100 times the current minimum Russian monthly wage - totalling 2,055m rubles - or the princely sum of \$93.

Romanovs of the world unite; you have nothing to lose but your claims.

## Beetling east

There seems to be precious little Spring, let alone Varsprung, in the German motor industry just at the moment. A rather downbeat Volkswagen chairman Ferdinand Piech was in Paris this week to tell journalists that the second half of the year would see a further drop in orders. Right across western Europe indeed, 1994 sales would be no higher than last year. Less than ideal starting pads for the new Polo

## OBSERVER



range he was unveiling, presumably. But cheer up chaps, there is another new model around the corner. Why, VW is working on an exciting new Skoda. And that's no laughing matter.

## Anchors away

Just asked admiral Allison Madenke - senior chief of staff of the Nigerian navy - will no doubt look back with nostalgia on his nine months in the job. An Ibo who once fought on the rebel side in the Biafran war, he probably relished his staff mansion in Lagos's exclusive Ikoyi suburb. Not that running Nigeria's navy

is particularly demanding, aside from receiving visiting warships from Brazil. It might be the largest navy in west Africa but has never had to fire a shot in anger. Of the two frigates moored in Lagos, the Ojuma is not in operation - except for an annual spin round the harbour - while the Ifeolu has been undergoing repairs for two years.

Perhaps Madenke will get a consolation prize. Local press reports suggest the number two in the regime, General Oluolapo Oyediran, may be the next victim of General Abacha's reshuffle - with Madenke tipped for the job. Lucky him.

## Hack drill

A couple more names to add to the roll-call of young media tycoons in basic training. Observer commented earlier this week on how Australia's local newspaper business was being used by the Packer, Murdoch and O'Reilly families to see if the next generation had the right stuff to make it to the top. The same thing seems to be happening in the UK. Young Matthew Doull, a nephew of Conrad Black, has done his stint as a back on the Daily Telegraph's city pages, and has now got the job of thinking up bright ideas for the Telegraph's new business unit.

Another young thing to watch is Jonathan Rothermere, 26, who is currently writing for the Sunday Mail in Glasgow. With his father, Lord Rothermere, turning 69 this

week it probably won't be long before young Jonathan gets a call to return to Associated Newspapers' head office so that he can learn how to do a proper job.

## Absolut tonic

Here's a salutary lesson for all academics who think their research might earn them an extra bob or two on the side.

Carl Hirscht, of the Stockholm Institute of International Business, has just been booted out after agreeing to publish his PhD thesis on the marketing of the Absolut brand of vodka. It was commissioned by Absolut's maker, the state-run Vin and Spirit AB. The company is cross because the thesis reportedly contains confidential information. More sensitively, Hirscht also reportedly credits Absolut's huge popularity to clever US advertising, rather than to Vin and Spirit's own efforts.

Lesson one of life: never bite the hand that feeds you. Unless of course you know a fatter hand is just around the corner.

## Biased fax

A press release from the Labour party's press office arrived at the FT's House of Commons office yesterday marked: "Re-fax. Earlier copy may have been distorted." Well, so long as it wasn't completely bent, who's worried?

## Burden of past claims could cost £500m Lloyd's profit recovery hampered by bad debt

By Richard Lapper

Bad debts and declining investment returns - as well as the continuing burden of claims on policies underwritten in the 1980s and earlier - will hold back the expected recovery in profits at Lloyd's, according to Chatset, the company which monitors the London insurance market.

Chatset expects Lloyd's to report a profit of £900m (£1.23bn) for the 1993 underwriting year, when results are reported in 1994, in line with the market's three-year accounting system.

It estimates, however, that as much as £500m of the profit might be needed to meet liability insurance claims, which can emerge years after the policies were underwritten.

Lloyd's hopes to tackle the problem by setting up a new reinsurance company, NewCo, early in 1995, into which it aims to transfer all liabilities on policies sold before 1988.

Aside from this, says Chatset, "two horrors lurk, worsening investment returns, exacerbated by inadequate reserves for bad debts and further reinsurance failures."

The fall in investment returns, mainly as a result of the recent turmoil in international bond markets, will hit results for 1992, when these are reported next year, Chatset predicts.

During 1993 syndicates earned returns of some 6 per cent on their investments. But the first half of 1994 has produced a "dismal return", the average across the market being a profit of 0.5 per cent on dollar investments and a loss of 2 per cent on sterling investments.

Chatset expects the situation to improve in the second half of 1994, but says that "it will remain a disastrous year for investment" with returns down "perhaps" by between £200m and £300m.

Overall, Chatset expects Lloyd's to post a loss for the 1992

year of £135m, when results are reported next year. Again though, this deficit will increase when the extra reserves for earlier years are taken into account.

Total bad debts due to unrecoverable reinsurance claims, as a result of the failure of a number of reinsurance companies, could amount for more than £200m. The figure is already taken into account in the 1991 loss of some £20m, but similar problems could depress results in future years, Chatset believes.

Chatset notes that the "failure of insurance companies has continued apace" with the list including the subsidiaries of London United Investments, the financial conglomerate which collapsed in 1990.

Total losses at the insurance market since 1988, when Lloyd's dipped into loss for the first time in more than 20 years, amount to some £76m.

See Lex

## Dear Leader's succession to power may be in trouble

By John Burton in Seoul

The delay in the official appointment of Mr Kim Jong-il to the top leadership positions in North Korea is fuelling speculation in Seoul that his assumption of power may be in trouble after the death of his father, President Kim Il-sung, six weeks ago.

A report yesterday by South Korea's state news agency that leaders denouncing Mr Kim were scattered in the foreign diplomatic section of Pyongyang is the latest in a recent spate of largely unconfirmed stories claiming that the Dear Leader may be facing growing opposition to his rule.

The incident coincides with a North Korean radio broadcast that warned that "acts of betrayal by ambitious persons and conspirators" could undermine the ruling party unless the issue of Mr Kim's succession is solved soon.

But there is otherwise little solid evidence to determine if Mr Kim is losing control of the secretive country. Speculation about his status has been fuelled by his failure so far to be named to the three most powerful positions in the country: general secretary of the ruling Korean Workers' party, national president and chairman of the party's central military committee.

His absence from public view since his father's lavish funeral in mid-July has also caused uncertainty, although Mr Kim is known for being reclusive. The haggard appearance of the 52-year-old Mr Kim at the funeral services prompted rumours he is in poor health. The diplomatic corps in Pyongyang has speculated for years on the issue.

North Korean diplomats abroad have dismissed talk about a problem in the succession, explaining that the delay is due to an extended period of mourning for the dead that is traditional in Korea.

Some western analysts in Seoul agree with that explanation. "It might appear unseemly for Kim Jong-il to take charge quickly. It could take several months for the party and parliament formally to convene and nominate him to the leadership posts," Mr Michael Breen, an analyst for Merrill Lynch in Seoul. But he added that if the transfer of power was not completed by the end of the year, it could signify that Mr Kim is indeed in trouble.

Many analysts agree with the recent assessment by Mr Lee Hong-koo, the South Korean deputy prime minister for national unification, that Mr Kim may be delaying the transfer until he promotes a younger generation of technocrats loyal to him. This could be a "complex and time-consuming process" in a society based on a strong hierarchical structure, Mr Lee said.

One indication that Mr Kim may be successful in achieving control was the recent return of his step-brother and potential rival, Mr Kim Pyong-il, to Helsinki as North Korean ambassador after spending several months in Pyongyang.

If the power transfer proceeds smoothly, analysts expect Mr Kim will assume formal leadership either on September 9, the anniversary of the establishment of North Korea state in 1948, or October 10, the 49th anniversary of the founding of the ruling party. South Korea is reluctant to hold a proposed summit meeting with North Korea until the succession is completed.

## Russia defends the rouble with US dollars

Continued from Page 1

real change in policy. We are moving from an extremely high real interest rate to just a very high one," one western economist said. "We are still in the same regime where it is very expensive to borrow. Real inter-

est rates remain at about 4 per cent a month."

But others argued the trend was risky. "Given the future outlook and the fiscal slippage, more prudence would have been useful," another economist said.

The difficulty faced by Russia's foreign debtors - chiefly former

Socialist countries - in servicing their \$147bn debts may further complicate the government's fiscal difficulties.

Mr Oleg Davydov, foreign trade minister, said Russia's debtors were paying only \$2bn a year compared to their obligations of \$60bn-\$70bn.

Letters, Page 10

## Body Shop faces US probe over franchise operations

By Andrew Jack

Body Shop International is under investigation by the US Federal Trade Commission over its franchise operations in North America.

Body Shop last night confirmed the investigation, which focuses on disputes between the company and its franchisees in the US.

News of the investigation emerged amid continuing controversy within the ethical investment sector of business about allegations concerning the UK-based cosmetics and toiletries retailer's "green" and ethical policies.

The FTC refused as part of its normal policy to comment on whether any investigation was taking place into Body Shop.

The US agency said it had undertaken 40 to 50 franchise investigations over the past several years, of which a majority had led to legal action. However, it stressed that each case needed to be judged on its merits and none should be prejudged.

The FTC said its investigations normally assessed allegations of unfair or deceptive practices by franchise operators, or more general breaches of US franchise rules.

Details of complaints from former Body Shop franchisees in the US form an important part of a forthcoming article in Business Ethics, a Minneapolis-based magazine, and other pieces scheduled to be published over the next few weeks.

Body Shop said last night: "We are aware of the FTC inquiries which are routine and about which we have no concerns."

It added in a statement: "It is standard practice for franchise organisations to have arguments with franchisees. We have no more arguments in the US than in the UK or any other country. Indeed independent analysts note that we have remarkably few such conflicts for a company of our size. Government agencies in the US have accused us of nothing. This is just more scaremongering."

The FTC is believed to have formally launched its investigation in March, and it has since issued a number of subpoenas to require witnesses to testify.

New Consumer, a New York-based organisation which has criticised Body Shop International, yesterday made public a letter to the company calling for information which would allow it to verify the retailer's "trade not aid" claims and for details of the ingredients in its products.

Mr Richard Adams, director of New Consumer, said Body Shop had repeatedly refused to provide such information. "There are so few hard facts," he said. "I want to try to pin them down a bit."

## THE LEX COLUMN

### NFC loses driver

NFC's statement on the resignation of chief executive Mr Peter Sherlock left everything to the imagination. The company provided no explanation at all, not even that traditional fig leaf, "after a clash of management styles". To be fair to NFC, Bass was no more illuminating when Mr Sherlock left its employ in October 1992. Whatever the reasons, shareholders of both companies may begrudge paying Mr Sherlock over £1m in compensation for loss of office in under two years.

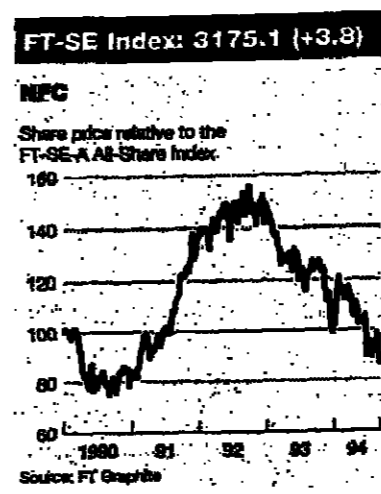
The bigger worry for NFC shareholders is that there is more to Mr Sherlock's departure than personalities. While his business school jargon may not have been to every investment institution's taste, his arrival was welcomed by those keen to see NFC's inbred culture opened up. They will not be reassured that the board appears to have sided with Mr Sherlock. A life-long NFC man who was beaten to the top job by Mr Sherlock and has now withdrawn his own resignation. Although the company stresses that there has been no change in strategic direction, the suspicion remains that Mr Sherlock wanted to pursue it more quickly than Mr Burns.

The management question would matter less if Mr Sherlock's bullish comments about trading prospects had proved accurate. Third quarter figures suggest operating profit growth remains very sluggish. NFC may be right to blame both European recession and American overheating for its problems. But the new chief executive will need to do more to convince investors it can capitalise on the undoubted opportunities.

### Thorn EMI

Sir Colin Southgate's comments yesterday ruling out a merger of Thorn EMI for the next three years were a disappointment. Splitting the group he chairs into its music and TV rental parts looked an attractive way of enhancing shareholder value. The advantages of keeping the two divisions yoked together are slim. The steady but not terribly exciting rental business arguably drags down the rating that free-standing EMI shares would enjoy.

The best that can be said about Sir Colin's remarks is that they should clear up speculation over group strategy. The management's main challenge for the medium term is to hit its targets of boosting music margins from 14 per cent to 16 per cent and rental margins from 8 per cent to 10



per cent. The group's first quarter figures, reported for the first time yesterday, show a slight dip in margins in the music business.

But it would be wrong to conclude much from this as EMI's results are highly cyclical and its Japanese arm did particularly well in the first quarter of last year. Equally the small improvement in rental margins means little, though it is encouraging that Thorn is close to stemming what has been a steady erosion of its UK rental business.

If Thorn can hit its margins targets, investors will look kindly on its plans to diversify into book publishing. Sir Colin has highlighted this as an area where EMI could apply its existing skills in managing intellectual property. With a demerger off the agenda, management will certainly have time to look at other strategic moves.

### Lloyd's

After years of ruinous losses it is some comfort that business now being written at Lloyd's of London is expected to be profitable. But the £200m profit for the 1993 year of account forecast by Chatset, the independent forecasters, would hardly be a cause for celebration. A return of less than 10 per cent of market capacity - the long-term target set in Lloyd's business plan - would be a disappointing outcome for a year which saw few natural catastrophes and premium rates at their peak. While the weather has also been kind this year, rates are already softening.

Neither does this headline forecast include reserves which will have to be set aside against asbestosis and pollution claims on policies written years ago. While the eventual level of liabilities depends on events in the US Congress and courts, it is likely that reserving will fall from the £1.4bn set aside last year. If Chatset's estimate of £500m proves correct, though, there would be precious little left over to make up for the losses of the previous five years.

The individual Names which back the market must therefore hope that Chatset has underestimated the eventual level of underwriting profits and overestimated the need for additional reserves. Although corporate capital was not admitted in time for the 1993 year of account, investors in quoted Lloyd's funds would also prefer to see a higher profits peak. Investment returns this year look like being especially poor, so the odds are more than even on the underwriters to show a decent profit.

### US telecoms

LDDS certainly cannot be accused of lacking direction. Through a series of mega-deals, it has turned itself from a little-known Mississippi telecoms reseller into the US's fourth largest long-distance operator. This week's \$2.5bn acquisition of Wiltel means it will be able to route calls from its growing customer base over its own infrastructure instead of buying capacity from rivals. Its earlier \$300m acquisition of IDB Communications gave it direct relationships with about 100 foreign telecoms carriers.

But does this drive to join the big league make sense? It is not just that \$2.5bn looks expensive given Wiltel's operating profits of \$90m. Margins in the long-distance business are under pressure. Making profits in this market is largely about tapping its immense economies of scale and establishing a strong brand name. On both scores, LDDS starts a long way behind AT&T, MCI and Sprint.

The best justification for the strategy is that LDDS is now in a position to play an important part in restructuring the US telecoms industry. It is the only unaffiliated player in the long-distance market. That will make it an attractive partner, or even acquisition, for the Baby Bells if as expected they are allowed to break out of their local fiefdoms. It could also appeal to any foreign carriers seeking to form a fourth force in the global market to compete with the three alliances built around LDDS's main rivals.

This announcement appears as a matter of record only.

## Bell Cablemedia plc

The European cable operations controlled and managed by Jones Intergrable Inc. and Jones Global Group Inc. have been acquired by Bell Cablemedia plc.

Bell Cablemedia began trading on the Nasdaq national market in the United States of America with an initial market capitalisation of US\$1.05 billion on 15 July 1994.

Barclays de Zotte Wedd advised Bell Cablemedia on the acquisition and acted as Co-manager on the US ADS offering, and as Co-lead manager for the international ADS offering.

Adviser  
 Barclays de Zotte Wedd

July 1994



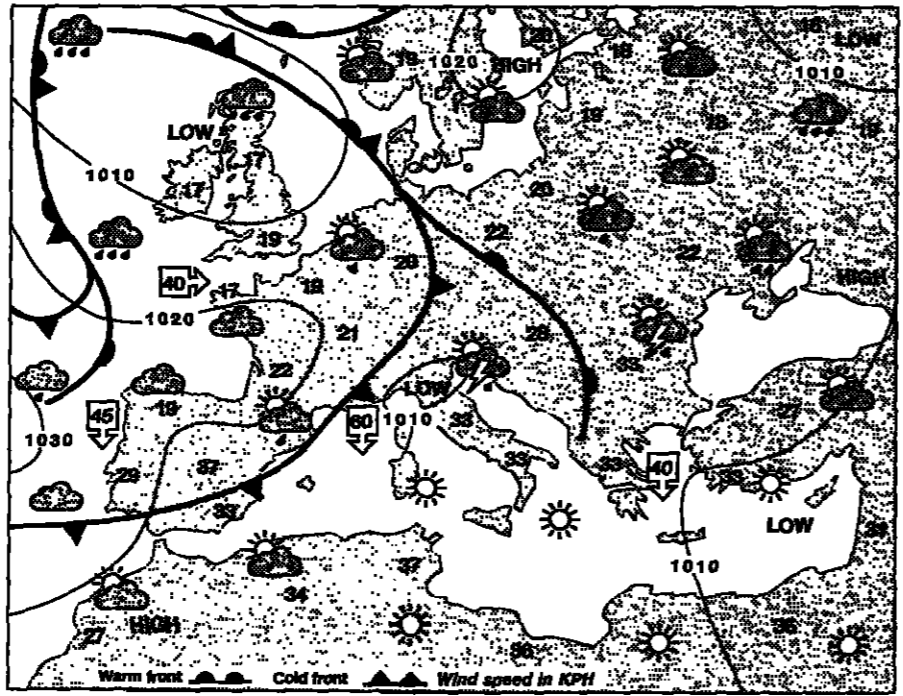
## FT WEATHER GUIDE

### Europe today

Active low pressure over Scotland will force cool air into the continent. A frontal zone separating warm air from much cooler air will generate showers over France and Germany this afternoon. The UK will also be unsettled with widespread showers and rain over Wales and south-west England. Scattered thunder showers will occur over Scotland. Thunder showers will also develop in the Alps, especially in eastern Switzerland and Austria. High pressure over Scandinavia and north-western Norway will bring dry and sunny periods. Southern Europe will be sunny and very warm. Elsewhere, cloud will be interspersed with sunny periods. Temperatures will be below seasonal level in most of Europe.

### Five-day forecast

Rain and wind are expected in most of central and western Europe as low pressure over Scotland strengthens and moves east. During the weekend, the low will cause strong winds as it moves over southern Scandinavia and the Baltic Sea. Thunder showers will continue to affect the Alps. The Mediterranean area will remain warm and sunny except for some cloud in Italy and the south-east.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

### TODAY'S TEMPERATURES

	Maximum	Minimum	Weather		Maximum	Minimum	Weather
Abu Dhabi	30	24	sun	Caracas	27	21	sun
Algiers	28	22	sun	Frankfurt	27	21	sun
Amsterdam	20	14	sun	Geneva	27	21	sun
Athens	33	27	sun	Glasgow	21	15	sun
Bahia	31	25	sun	Hamburg	20	14	sun
Bangkok	33	27	sun	Helsinki	19	13	sun
Batavia	31	25	sun	Hong Kong	28	22	sun
Bombay	31	25	sun	Honolulu	31	25	sun
Buenos Aires	28	22	sun	Isle of Man	17	11	sun
Calcutta	33	27	sun	Jakarta	32	26	sun
Cairo	33	27	sun	Jersey	19	13	sun
Cape Town	28	22	sun	Karachi	33	27	sun
				Kuala Lumpur	33	27	sun
				London	19	13	sun
				Lima	24	18	sun
				Los Angeles	25	19	sun
				Madrid	28	22	sun
				Manchester	21	15	sun
				Mexico City	28	22	sun
				Miami	31	25	sun
				Montreal	28	22	sun
				Moscow	19	13	sun
				Munich	22	16	sun
				Nairobi	28	22	sun
				Naples	25	19	sun
				Nassau	27	21	sun
				New York	27	21	sun
				Nice	28	22	sun
				Osaka	28	22	sun
				Paris	21	15	sun
				Perth	28	22	sun
				Prague	21	15	sun
				Rangoon	29	23	sun
				Rio de Janeiro	24	18	sun
				Rome	32	26	sun
				S. Francisco	24	18	sun
				Saudi	32	26	sun
				Singapore	32	26	sun
				Stockholm	22	16	sun
				Streetsburg	20	14	sun
				Sydney	19	13	sun
				Taipei	31	25	sun
				Tel Aviv	34	28	sun
				Tokyo	27	21	sun
				Toronto	28	22	sun
				Vancouver	20	14	sun
				Warsaw	23	17	sun
				Wellington	11	5	sun
				Winnipeg	18	12	sun
				Zurich	23	17	sun

Rain or shine.  
 We can get you there.

**Lufthansa**

مكتبة الادب

## American poised to Lac of Car

leads to ease drug industry

Good clot break-through

Taiwan not to allow

Norwegian

BMW

Newspaper holding

Marsden green

Digital Equipment

West Bank deal

Japan has eyes

Business urges

US durable good

Syria goes to

Lloyd's agent

Miss reject

STOCK MARKET INDICES



## INTERNATIONAL COMPANIES AND FINANCE

## OMV recovers to post first-half Sch240m profit

By Ian Rodger in Zurich

OMV, the Austrian integrated petroleum and chemicals group, has reported consolidated pre-tax profit of Sch240m (\$22m) for the first half, compared with a loss of Sch552m in the corresponding period last year.

The partially privatised group said turnover was flat at Sch4.1bn as conditions in many of its markets remained weak. However, it was still aiming to make a profit in the full year through continued cost cutting.

As expected, the pre-tax profit in the second quarter, at Sch50m, was considerably smaller than that in the first quarter. This was mainly due to squeezed refinery margins.

The exploration and production division fell into a Sch380m loss in the first half compared with a profit of Sch250m, due to lower crude oil prices, lower domestic gas sales and accounting changes.

The Schwechat refinery also went into the red in the second quarter because of a slump in

gasoline margins, but higher profits at the Burghausen refinery prevented any erosion from the Sch130m profit made by the refining division in the first quarter. It suffered a Sch380m loss in the first half last year.

The gas division's profit rose 26 per cent to Sch960m in spite of lower prices and reduced transport business. The gas storage arm performed well, taking advantage of increased capacity.

Profit in the marketing division jumped from a nominal Sch30m in the first half of 1993 to Sch150m in the same period of this year, mainly due to cost cutting within the domestic network.

The group said it saw "the first signs of a recovery" in its long troubled chemicals business in the second quarter, but the reduction in first-half losses to Sch60m from Sch490m was attributed mainly to cost-cutting.

Similarly, plastics sales rose 4 per cent to Sch3.7bn on higher volumes, and the division reduced its loss from Sch710m to Sch460m.

## Amstrad electronics director joins Sega

By Paul Taylor in London

Mr Malcolm Miller, Amstrad's director of worldwide consumer electronics, has resigned to become chief executive of Sega Europe, part of the Japanese electronic games group.

Mr Miller, 39, joined Amstrad in 1979 as product manager while Amstrad was still a small private company run by Mr Alan Sugar, its founder and chairman.

During the 1980s Mr Miller, who previously worked for Birds Eye Foods, part of the Unilever group, became one of Mr Sugar's closest and most loyal aides.

He is credited with helping steer Amstrad through its

rapid expansion in the 1980s, buoyed by "blockbuster" consumer electronics products such as cut-price compact audio systems and the Amstrad PC.

Yesterday, Mr Miller expressed his mixed feelings about leaving Amstrad, saying it had been a very difficult decision.

Mr Miller, who will leave Amstrad next month, described his 15 years at Amstrad as "very exciting", and said it had been "a wonderful experience working with Alan Sugar". However, he added that Sega, whose European operations are larger than Amstrad's, had made him "a very good offer which I could not turn down".

## Avesta Sheffield swings back to black

By Hugh Cerny in Stockholm

Avesta Sheffield, the Swedish-British stainless steel maker, yesterday announced a swing to profits of SKr431m (\$67.1m) after financial results in the first six months, from a loss of SKr21m in the same period last year. It said it expected a further increase in earnings in the second half.

The result put the group firmly on a profit path for the first time since it was formed in late 1992 through a merger between Avesta and the stainless steel interests of British Steel. British Steel owns 40 per cent of the group.

Avesta Sheffield attributed the turnaround to rising demand in Europe, particularly for cold rolled steel plate, its main product, and the effects of internal savings and favourable currency movements.

Sales rose 16 per cent to SKr3.3bn during the first half, compared with SKr2.1bn last year, and operating profits after depreciation jumped to SKr46m from SKr-93m.

"The group result is influenced strongly by currency and price changes for stainless steel. With a continuation of current conditions, the result for the second half is expected to exceed the result for the first six months," said Mr Per Molin, chief executive.

Avesta said higher consumption and stock-building of cold rolled plate had shifted the balance between supply and demand in Europe. This had pushed up prices by 30 per cent compared with the end of last year, although only to the levels of mid-1993.

Overall, the market had improved since the end of year, with European producers diverting sales to Europe from other markets to satisfy the demand surge.

The company, which earlier this year raised more than SKr590m through a rights issue, plans to invest more than SKr1bn over the next three years.

The board yesterday gave the go-ahead for a SKr250m investment.

## Sector revival sparks Stora surge

By Christopher Brown-Humes in Stockholm

Higher volumes, cost-cutting and capital gains brought a dramatically improved performance at Stora in the first half, enabling Europe's biggest pulp and paper group to lift profits to SKr1.51bn (\$200m) from SKr30m.

Helped by a long-awaited revival in the pulp and paper sector, group volumes climbed 5 per cent and capacity utilisation reached 92 per cent. However, the company has still to feel the impact of the higher

prices which are gradually feeding through into most product areas.

Mr Lars Ake Helgeson, chief executive, said local currency prices had generally been lower in the first half than a year ago. Although the group has achieved higher prices for sawn timber and fine paper, a firm upturn in prices for newsprint and magazine paper grades is still awaited.

The SKr865m underlying improvement in the group's performance was enhanced by SKr617m in one-off gains.

On the plus side, the divest-

ment of the Tarkett flooring material unit, Akerlund & Rausing, and forest assets in Chile brought in SKr914m in capital gains. However, these were offset by a SKr200m provision against a possible write-down of a Canadian pulp mill and a SKr105m provision for a fine imposed by the European Union for breaching competition rules. Stora says it may appeal against the EU decision.

Sales were SKr2.1bn, up 6.5 per cent after adjusting for divestments. The pre-tax figure benefited both from a stronger operating performance - where

income rose to SKr2.14bn from SKr1.94bn - and from reduced financial expenses of SKr625m, against SKr810m. The group has benefited from lower interest rates and a SKr4.7bn reduction in net debt.

Nearly all the group's divisions improved their operating performance, with power, pulp, sawn timber and technical office paper units all returning to the black. However, the group's financial services unit was unable to repeat last year's exceptionally strong performance, and profits slipped from SKr385m to SKr178m.

## Unidanmark tumbles to DKr207m at halfway

By Hilary Barnes in Copenhagen

Unidanmark Group, Denmark's second biggest bank, yesterday reported a fall in interim net profits to DKr207m (\$34m) from DKr433m as the value of its securities portfolio slid.

The value of securities holdings fell by DKr252m during the first half of the year. Last year in the same period the comparable figure rose by DKr533m. Under Danish banking law the difference in the value of the securities portfolio during the accounting period is entered directly into the profit and loss account.

Reflecting improved economic conditions, the group said that its bad loan provisions fell to DKr68m in the first half, compared with DKr234m in the same period last year.

The bank reported a 10.7 per cent growth in net interest and fee income to DKr4.8bn from DKr4.3bn, while expenses were reduced by DKr68m to DKr2.97bn.

The bank said that the first-half performance showed that efforts to re-establish the bank's market position, coupled with credit management and cost-cutting, are bearing fruit.

The bank was rocked by losses which peaked at DKr4.6bn in 1992, when bad debt provisions soared to DKr3.2bn. Bad debt provisions have now been reduced to 1.4 per cent of loans and guarantees, compared with 3.3 per cent in the first half of last year.

The capital adequacy ratio at the end of the second half was 13.4 per cent, compared with 11.8 per cent at the end of last year. No forecast was made for profits for the full year, but the bank said that it expected lower net interest income in the second half.

DFDS, the North Sea ferry and freight shipping group and European haulage business, reported a first half profit of DKr31.8m compared with a loss of DKr37.3m last year. Sales were up to DKr2.16bn from DKr2.65bn last year.

## Trygg-Hansa chief executive resigns

By Christopher Brown-Humes

Mr Björn Sprängare yesterday resigned as chief executive of Trygg-Hansa, citing strong criticism of his performance and uncertainty over the group's strategy.

Mr Sprängare, who has led the company for eight years, said it was clear he did not enjoy the "full public confidence" necessary for effective leadership.

He is expected to leave the company during the autumn, after a successor has been chosen from three short-listed candidates.

In deciding to step down, Mr Sprängare said he took full responsibility for a series of deals which ended in failure and produced heavy losses.

These include the group's ill-fated alliance with SPP, the financial services group; its investment in the US insurance group, Home; and its involvement with the collapsed financial concerns, Gota AB and Svenska Kredit. Gota alone brought more than SKr5bn (\$62m) in losses in 1992.

Mr Sprängare said the alliance with SPP had been "a complete failure", and his biggest

mistake, leading directly to the costly investment in Gota AB.

He said changes following the crisis in the Swedish financial sector were partly to blame for the breakdown of the alliance.

Trygg's failure to win a banking licence, when competitors had been granted them, was perhaps the clearest sign it had lost the confidence of the authorities.

Trygg yesterday announced a sharply-reduced operating profit of SKr190m for the first six months, partly because of losses linked to its

35.3 per cent stake in Home Holdings. A year ago, the group's operating profit was SKr64m.

After including the full impact of the group's investment performance, it swung to a SKr380m loss from a SKr1.38bn profit. Unrealised losses caused by falling bond markets were the main reason for the decline.

Group premiums fell 9 per cent to SKr3.6bn from SKr3.95bn, following the group's decision to run off its reinsurance activities. Underwriting losses deepened to SKr411m from SKr322m.

## Thorn EMI demerger ruled out

By Paul Taylor

Sir Colin Southgate, chairman of Thorn EMI, yesterday firmly ruled out an early demerger by the UK music and rentals group, and said that the proposal was now "on the back-burner".

Sir Colin, speaking at Thorn's annual general meeting, said he had ruled out an early demerger by the UK music and rentals group, and said that the proposal was now "on the back-burner".

He said there was "no indication of any terrific upside value" in a demerger of the group's core music and retail divisions, and noted that the costs would be huge.

Thorn's shares, which have rallied recently on revived speculation of a demerger, closed down 5p at 1054p.

The group's results for the three months to June 30 - the first time Thorn has reported the first quarter - showed a strong performance by its main businesses - EMI Music, Thorn Group and HMV - together with an improvement in its other businesses.

However, pre-tax profits fell to £33.1m (\$51.3m) from £40.4m, after a net exceptional charge of £13.1m, mainly on the disposal of Thorn Security. This was partly offset by a decline in finance charges to £2.2m from £12.5m.

Turnover from continuing operations rose to £328.8m from £270.8m, with discontinued operations contributing a further £2.3m, compared with £147.9m.

Profits from continuing operations rose 24.7 per cent to £52.5m from £42.1m.

Overall, Thorn EMI's operating profits grew 2.5 per cent to £53.4m from £51.1m, in spite of a reduced contribution from discontinued operations.

Sales at EMI Music rose 16.6 per cent to £404.9m, and profits grew 14.6 per cent to £33m.

Thorn Group, the renamed rental business, posted a 9.8 per cent increase in operating profit, to £25.8m, on revenues which rose 6.2 per cent to £374.1m.

Sales at HMV increased 12.4 per cent to £37.8m with its seasonal loss falling 24.4 per cent to £3.4m. Store sales continued to grow on a like-for-like basis and the group opened a further 6 shops to bring its total to 188 stores worldwide.

Earnings per share fell to 3.1p from 6.4p on a fully-diluted basis.

Lex, Page 12

## IN BRIEF

The aggregate profit after financial items of companies listed on the Helsinki bourse is expected to total FM11.86bn (\$2.7bn) this year, compared with a loss of FM981m in 1993, according to the investment research department of Kansallis-Osake-Pankki, the Finnish bank. Reuters reports from Helsinki.

In 1995, the aggregate profit is expected to rise to FM20.07bn compared with the current record of FM14.7bn in 1988, KOP said.

The deadline for new offers from Accor and Forte for part of Air France's stake in Meridien hotels has been delayed to until tomorrow, Reuters reports from Paris.

Air France said it was expected to say which offer it was accepting after a September 14 board meeting.

**Commonwealth Bank Australia**  
Commonwealth Bank of Australia  
ACN: 123 123 124  
Incorporated in Australia with limited liability

U.S. \$183,000,000  
Undated Floating Rate Notes  
exchangeable into Dated Floating Rate Notes  
and  
U.S. \$217,000,000  
Floating Rate Dated Notes due February 1999  
exchangeable into Undated Floating Rate Notes

Interest Rate	Undated Notes	5.3725% per annum (LIBOR 5.3125% + 0.06%)
Dated Notes	5.25% per annum (LIMEAN 5.25%)	
Interest Period	24th August 1994 to but excluding 24th February 1995	
Interest Amount due	Undated Notes per U.S. \$ 10,000 Note	U.S. \$ 274.59
	per U.S. \$250,000 Note	U.S. \$6,864.86
Dated Notes	per U.S. \$ 10,000 Note	U.S. \$ 268.33
	per U.S. \$250,000 Note	U.S. \$6,708.33

**CS FIRST BOSTON**  
Agent

**Costain Finance N.V.**  
Notice to the Holders of Costain Finance N.V. (the "Company")  
7½ per cent. Guaranteed Redeemable Convertible Preference Shares 2003 (the "Preference Shares")

NOTICE IS HEREBY GIVEN by Costain Group PLC of the revocation of the guarantee provided by it in respect of the obligations of the Company in relation to the Preference Shares, such revocation to take effect from 23rd October, 1994. As a result of the revocation of the guarantee, all outstanding Preference Shares will become redeemable as at 23rd October, 1994 (the "Redemption Date") in accordance with the terms of their issue at a redemption price equal to £5,000 per Preference Share (representing 100 per cent of the issue price) together with dividends accrued but unpaid calculated up to (but excluding) the Redemption Date.

Payment of redemption amounts will be made against surrender of relevant certificates in accordance with the terms of issue of the Preference Shares from 24th October, 1994.

The Company has applied to The London Stock Exchange for the cancellation of the listing of the Preference Shares with effect from 24th October, 1994. Copies of this notice and a letter from the Company to Preference Shareholders setting out the detailed terms and conditions of the revocation and redemption can be obtained from the specified offices of the Paying and Conversion Agents as set out below. Copies of the Articles of Incorporation of the Company, the terms of issue of the Preference Shares and the Deed Poll constituting the guarantee by Costain Group PLC are also available for inspection at the specified offices of the Paying and Conversion Agents as set out below.

**PRINCIPAL PAYING AND CONVERSION AGENT**  
Bankers Trust Company, 1 Appold Street, Broadgate, London EC2A 2HE.  
Attention: Corporate Trust & Agency Group  
Telephone: (071) 962 2500

**PAYING AND CONVERSION AGENTS**  
Bankers Trust Luxembourg S.A., P.O. Box 807, 14 Boulevard F.D. Roosevelt, L-2480 Luxembourg  
Swiss Bank Corporation, Aeschenvorstadt 1, CH-4002 Basle

Dated 24th August, 1994 By order of the Board of Management of Costain Finance N.V.

U.S. \$250,000,000

**BANK OF BOSTON CORPORATION**  
Subordinated  
Floating Rate Notes Due 2001  
Issued 10th February 1999

Interest Rate	5¼% per annum
Interest Period	24th August 1994 25th November 1994
Interest Amount per U.S. \$50,000 Note due 25th November 1994	U.S. \$681.98

**CS FIRST BOSTON**  
Agent

U.S. \$150,000,000

**First Bank System, Inc.**  
Floating Rate Subordinated  
Capital Notes Due 1996

Interest Rate	5¼% per annum
Interest Period	24th August 1994 25th November 1994
Interest Amount per U.S. \$50,000 Note due 25th November 1994	U.S. \$678.13

**CS FIRST BOSTON**  
Agent

**Danisco A/S**  
Langebrogade 1, 1411 Copenhagen K, Denmark

Notice is hereby given to the shareholders that the Annual General Meeting will be held on Thursday 15 September 1994 at 4.30pm at SAS Scania Hotel, Manager Boulevard 70, 2300 Copenhagen S, Denmark with the following agenda:

1. Directors' report on the Company for the year ended.
2. Submission of the annual accounts and consolidated accounts with the Auditors' Report and the annual report, and resolutions for the approval of the annual accounts and of the discharge of the Board of Directors from their obligations.
3. Resolution on the appropriation of profits or covering of losses in respect of the approved annual accounts.
4. The election of members to the Board of Directors.
5. The election of two Danish state-authorized public accountants to serve as auditors.
6. Resolutions proposed by the Board of Directors and/or shareholders.
7. Any other business.

Under item 4 the Board of Directors proposes the re-election of professor Flemming Woldbye and Erik B. Rasmussen, MSc, managing director. Kristian Mogensen, attorney-at-law, wishes to resign.

The Board of Directors proposes Alf Duch-Pedersen, chief executive of Tryg Forsikring A/S, as a new director.

Under item 5, the Board of Directors proposes the re-election of the Company's auditors, Schobøl & Mørholt Revisionselskab and Ernst & Young A/S.

The Board of Directors proposes the following resolutions under item 8:

- a) That article 4.1 in the Articles of Association be changed to the effect that the Company's share capital is divided into shares of DKK 20 each.
- b) That the Board of Directors shall be empowered to increase the Company's share capital by up to DKK 6 million in nominal value with pre-emption rights for the employees in the Company and its wholly owned Danish subsidiaries at a price of DKK 40 for each share of DKK 20.
- c) That in the period until next year's Annual General Meeting the Board of Directors shall be empowered to allow the Company to purchase its own shares up to the amount of 10 per cent of the share capital at market price at the time of purchase with a deviation of up to 10 per cent.

No proposals for resolutions have been received from shareholders.

In accordance with the Company's Articles of Association and the Danish Companies Act, the adoption of the resolutions mentioned in items 6a and b requires that two-thirds of the votes cast and shareholders representing two-thirds of the voting rights at the Annual General Meeting vote in favour of the resolution.

As from 5 September 1994 the agenda and the Board of Directors' resolutions in full as well as the annual accounts and the consolidated accounts with the Auditors' Report and the annual report are available for inspection by the shareholders at the Company's registered office. On the same day the documents will be sent to those shareholders who have so requested.

Admission cards with voting paper for the Annual General Meeting may be collected on provision of identification at the Company's registered office at Langebrogade 1 between 10am and 5pm in the period 28 August to 19 September 1994, except Saturdays and Sundays. After this period, only admission cards without voting paper will be issued.

Shareholders whose shares are registered in the name of the shareholder in the Register of Shares may vote at the Annual General Meeting. Shareholders who have acquired shares by transfer may only exercise the voting right for the shares in question if the shares are registered in the name of such shareholders at the time of the convening of the General Meeting, or if the shareholders before that time have applied for registration and filed proof of their acquisition.

ooo000ooo

A shareholders' meeting about packaging which is marketed by Danisco's business unit for flexible packaging will be held immediately before the Annual General Meeting from 3pm to about 5.30pm.

**Danisco A/S**  
The Board of Directors

**Invitation for proposals to establish and operate Audiotex Services in Pakistan**

**EXTENSION IN DATE**

Pakistan Telecommunication Corporation has extended the date for receiving the applications to establish and operate Audiotex Services in Pakistan till 15 September 1994.

This extension is granted at the request of the interested parties, firms and companies.

Terms & conditions of the invitation will remain the same.

Applications along with the required information and documents should reach the undersigned by 15 September, 1994. The envelope should be marked: PROPOSAL FOR AUDIOTEX SERVICES.

**Muhammad Rashid**  
Joint Secretary II, Government of Pakistan,  
Ministry of Communications,  
Block-D, Pak Secretariat, Islamabad-44000, Pakistan  
Tel: (92-51) 823738, Fax: (92-51) 825454

**I.T.C. LIMITED**  
NOTICE  
RECORD DATE FOR  
ISSUE OF BONUS SHARES

NOTICE IS HEREBY GIVEN that by an Ordinary Resolution passed at the 33rd Annual General Meeting of the Company held on 20th July, 1994, the Members approved the issue of Ordinary Shares not exceeding 12,27,33,027 in number as Bonus Shares to the holders of the existing Ordinary Shares of the Company in the proportion of one Bonus Share for every existing Ordinary Share held by them. The Board of Directors of the Company at a meeting held on 20th July, 1994 have fixed 6th October, 1994 as the "RECORD DATE" for the purpose of determining the entitlement of Members to such Bonus Shares.

All transfers of shares received at the Investor Service Centre, 37 Chowringhee, Calcutta 700 071, on or before the said RECORD DATE will be accepted for determination of entitlement of Bonus Shares as referred to above.

Registered Office:  
I.T.C. Limited  
Virginia House  
37 Chowringhee  
Calcutta-700 071  
INDIA

By order of the Board  
I.T.C. LIMITED  
S. B. Chatterjee  
Company Secretary

Dated: 20th July, 1994

**Signal**  
130+ software applications  
RT DATA FROM \$10 A DAY  
Signal SOFTWARE GUIDE  
Call London 23 44 + (0) 71 231 3556  
for your guide and Signal price list.

**Weekly Petroleum Argus**  
The unique source for oil industry news, comments and prices  
CALL NOW for a FREE TRIAL to this newsletter (44) 71 231 3556

**ECU Futures plc**  
29 Chancery Place  
London EC2A 2HE  
Tel: 071 235 0200  
Fax: 071 235 0200  
Member SFA

**FUTURES & OPTIONS BROKERS**  
**\$32** ROUND TRIP  
EXECUTION ONLY

**REUTERS 1000**  
24 hours a day - only \$100 a month!  
LIVE FINANCIAL DATA DIRECT TO YOUR PC  
For UK 071 910 0000 SuperCOM Service +44 071 910 0000

**ARBITRAGE**  
One of the potentially most profitable yet least known areas of Trading in WorldWide Financial Markets. Contact Michael Laurie Partnership Ltd. Ring for Prospectus available September 5th. Financial Services Dept. (Member of SFA) Tel: 071 483 7050 or Fax 071 499 6279

**Currency or Bond Fax - FREE 2 week trial**  
also daily gold and silver faxes  
from Chart Analysis Ltd.  
7 Scollard Street, London W1P 2JQ, UK  
Telephone: 071 434 5511  
Fax: 071 434 5511  
©1994 Chart Analysis Ltd.

**DO YOU WANT TO KNOW A SECRET?**  
The U.S. Gann Seminar will show you how the markets REALLY work. The amazing trading techniques of the legendary W.D. Gann can increase your profits and control your losses. How? That's the secret. Ring 081 474 0080 to book your FREE place.

هكذا ان الاصل



## INTERNATIONAL COMPANIES AND CAPITAL MARKETS

## Canon advances 84% at halfway

By Gordon Cramb in Tokyo

Canon, the Japanese office equipment and camera maker, lifted pre-tax profits by 84 per cent to ¥28.54bn (€3.1bn) in the first half to June as restructuring efforts paid off.

Parent company sales were up just 3.8 per cent to ¥512.6bn. The company said it had achieved savings worth ¥65bn, more than offsetting a ¥38bn negative impact from appreciation in the yen over the period. Canon has been hedging foreign currency and shifting production overseas.

Sales of copiers fell by 3 per cent, cameras by 12 per cent and telecommunications equipment 4 per cent. However, a 12 per cent rise in revenues from computer peripherals, its largest product line, was enough to redress the balance. Other optical equipment, the smallest division, showed the sharpest growth at 42 per cent.

Domestic sales grew 6 per cent overall, while exports

were up only 3 per cent, reflecting the increase in overseas production. By the end of the current year an estimated 30 per cent of all sales is intended to come from products made outside Japan, up from 25 per cent a year earlier.

Moody's, the US credit rating agency, this week put Canon's long-term debt under review for possible upgrade because of improved competitiveness.

First-half net earnings per share rose from ¥14.93 to ¥20.44, from which a maintained interim dividend of ¥8.25 is being paid.

TDK, the magnetic tape and computer peripherals producer, suffered a 26.5 per cent fall in worldwide net profits to ¥2.49bn for its first quarter to June. Sales dipped 2.3 per cent to ¥117.8bn and pre-tax profits were down 23 per cent to ¥4.95bn. The company blamed price-cutting in some of its consumer markets and disappointing demand for magnetic heads used in hard disk drives.

## Dah Sing agrees venture with UK fund manager

By Louise Lucas in Hong Kong

Dah Sing Financial Holdings, the Hong Kong-listed banking and financial services company, has agreed in principle to set up an investment management group in the colony with M&G Group, the London-listed fund manager.

The proposed joint venture will carve a niche in both institutional fund management and unit trust business in Hong Kong, broadening out to China and other countries in the region.

Dah Sing will have a controlling 51 per cent interest, with

M&G supplying the balance and seconding senior staff to the venture. It is envisaged that the British company, which is the UK's largest unit trust group, will also supply the venture's chief executive.

Dah Sing last year expanded its presence in the colony with the purchase of the Wing On Bank, previously controlled by Hang Seng Bank, the Hong Kong banking arm of HSBC Holdings. This acquisition increased its branch network to 54 branches. The group has also entered a joint venture agreement to operate supermarkets in Shanghai.

## Second-half warning as Bangkok Bank rises

By William Barnes in Bangkok

Bangkok Bank, south-east Asia's biggest bank in asset terms, has reported a 19 per cent rise in net profits for the first half of the year to Bt8.38bn (€338m), after a 48 per cent rise in second-quarter net profits to Bt4.837bn.

The result was generally well received, but analysts warned that the bank's profits in the increasingly competitive banking sector may slow slightly in the second half. They also cautioned that a narrowing differential between lending and borrowing rates - now down to about 1 percentage point - will hit income in the second half.

Profits were boosted by accrued interest gains of nearly Bt800m from the Bangkok Expressway, the elevated motorway project for Bangkok financed by Thai and foreign banks. There were also foreign exchange gains of about Bt1.65bn, some Bt1.2bn coming in the second quarter.

Jardine Fleming is maintaining its forecast net profits of Bt16.5bn for the year.

## MTI climbs to T\$159m profit

Microelectronics Technology, Taiwan's leading producer of satellite communication and thin-film microwave components, posted pre-tax profits of T\$159m (US\$6m) for the first half of 1994, up 19.5 per cent from a year earlier, writes Laura Tyson in Taipei.

Revenues climbed 23.5 per cent from one year ago to T\$1.19bn in the year to June 30.

## Treasuries benefit from dollar's recovery

By Frank McGarry in New York and Antonio Sharpe in London

US Treasury bond prices improved yesterday morning as the dollar recouped some of its recent losses.

By midday, the benchmark 30-year government bond was

## GOVERNMENT BONDS

higher at 99 1/8, with the yield slipping to 7.517 per cent. At the short end, the two-year note was up 1/8 at 99 1/8, to yield 6.192 per cent.

For the second successive day, there was no fresh economic guidance to push prices up of their tight range. Traders again focused on developments in the foreign exchange markets, where the dollar was recovering some lost ground against other leading currencies.

## Hungary considers eurolira issue

By Antonio Sharpe and Conner Middelmann

The National Bank of Hungary, which borrows on behalf of the Hungarian government, is considering launching a eurolira bond offering.

Mr Frigyes Harshegyi, the bank's deputy president, said in London yesterday that he

## INTERNATIONAL BONDS

had been given the "green light" by the Bank of Italy's market committee at the end of June.

A bond offering in eurolira would round off Hungary's recent drive to diversify its international funding sources. This year it has launched bond offerings denominated in yen, D-Marks, Swiss francs, dollars,

sterling, Austrian schillings, French francs, pesetas, Luxembourg francs and guilders.

Mr Harshegyi said that the bank had raised around \$1.9bn so far this year in the international bond market, which almost completes its plan for foreign borrowing programme.

"We are now viewing next year's requirements," he said.

The size of Hungary's borrowing programme next year is likely to be the same as this year's.

However, Mr Harshegyi said that foreign borrowing could be less than \$2bn in 1995 if more loans from the World Bank and the European Bank for Reconstruction and Development are forthcoming. "The more the economy borrows on the private side the less we will have to do on the public side," he said.

He was also optimistic that

economic data. But they recovered in the afternoon due to a technical "squeeze" which forced dealers wanting to cover their short positions to chase bond prices higher.

The release today of US durable goods orders data for July and news from Germany on inflation in August could provide the markets with a fresh direction, analysts said. However, they added that until the end of the holiday season "there is no fundamental reason for investors to get involved," said Mr Sanjay Joshi, chief economist at Daiwa Securities.

The main casualty of the day was the Italian government bond market, which fell heavily at the opening on a newspaper report which appeared to suggest that the government was considering a rise in the withholding tax on

government short-term bills and certificates to 15 per cent from 12.5 per cent.

On Liffe, September Italian government bond futures lost 1 1/2 points to the day's low of 97.54 in reaction to the interview with Mr Filippo Berselli, under-secretary at the finance ministry. But they recovered to trade around 98.33 in late afternoon, down 0.47 point on the day, after the official said that the government had no plans to raise the tax.

Mr Julian Jessop, international economist at Midland Global Markets, said that in spite of yesterday's confusion, a rise in the tax was not out of the question. Indeed, such a move could well be accepted by the market if it was presented as part of a decent package of measures aimed at tackling the budget deficit. In any case, most overseas investors did not pay the tax, he said.

News that the Bundespost was issuing DM2.5bn worth of 10-year paper did not thrill the bond market but prices ended higher on the day due to technical short-covering. On Liffe, the September bond future stood 0.23 point higher at 91.46 in late trading, off the day's low of 90.56.

Some dealers were hopeful that better-than-expected inflation data would provide some relief. A rise in the yearly rate to 3 per cent had been discounted by the market as a flat result could well produce a recovery, they said.

The firmer tone in bonds and a minor rebound in sterling helped UK gilts stage a late rally although the long end did better than the short end of the yield curve. On Liffe, the September long gilt future rose 1/4 point to 100 1/4 in late trading, off the day's low of 100 1/4.

## Indian groups turn to loans market

By Antonio Sharpe

Three of India's best-known companies have turned to the international syndicated loans market in recent weeks, attracted by the continued erosion of margins and the willingness among international banks to invest in this fashionable emerging market.

Indian companies have been allowed to tap the international loans market since last October under a so-called "net exporter loan" scheme, whereby the loans are repaid from their net export earnings.

A \$30m term loan facility with a maturity of 30 months for Indian Rayon and Industries, part of the AV Birla multinational group, has been

closed following a significant oversubscription.

An official at ANZ, which arranged the loan with ABN-Amro, said Indian companies can now expect to pay an annual rate of around 1 1/4 per cent over Libor, down from 1 1/2 per cent at the start of this year. He added that a \$12.5m two-year amortising loan which ANZ arranged for Tube Investments of India was also oversubscribed.

Meanwhile, Tata Iron and Steel, which exports around 20 per cent of its total sales, has asked ANZ to arrange a \$25m two-year loan to finance the purchase of equipment, raw materials or services for use in specified projects to assist in export enhancement. This loan is in the process of being syndicated.

## WORLD BOND PRICES

## BENCHMARK GOVERNMENT BONDS

	Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia	9.000	09/04	97.4200	-0.570	6.40	9.54	8.54
Belgium	7.250	04/04	92.4000	-0.300	8.42	8.27	7.84
Canada	8.000	06/04	95.2000	-0.700	8.79	8.08	8.29
Denmark	2.000	12/04	97.8700	-0.150	8.67	8.78	7.84
France	BTAN	05/08	102.2500	+0.120	7.26	7.20	6.82
Germany Bund	5.500	04/04	94.4000	-0.410	7.84	7.88	7.21
Italy	6.750	05/04	98.4500	+0.150	7.27	7.16	6.78
Japan	4.800	05/09	103.5800	-0.140	3.92	4.03	3.88
Netherlands	4.100	12/03	98.7000	-0.100	6.85	6.82	6.29
Spain	6.750	01/04	98.9400	-0.100	7.31	7.16	6.87
UK Gilts	8.000	05/08	92.4500	-0.150	11.01	11.08	10.38
US Treasury *	6.000	09/09	90.08	-1.32	8.44	8.35	7.98
EU (French Govt)	6.750	01/04	97.40	-0.25	7.52	7.47	7.27
EU (German Govt)	6.000	04/04	94.2000	-0.510	8.43	8.27	7.88

London closing, New York mid-day. \* Yields including withholding tax at 15.25 per cent payable by non-residents. Source: Reuters International

## US INTEREST RATES

Instrument	Rate	Two weeks	One month	Three months	Six months	One year
Prime rate	7 1/4	4.50	4.50	4.50	4.50	4.50
3-month T-bill	5 1/4	5.25	5.25	5.25	5.25	5.25
6-month T-bill	5 1/4	5.25	5.25	5.25	5.25	5.25
1-year T-bill	5 1/4	5.25	5.25	5.25	5.25	5.25

## BOND FUTURES AND OPTIONS

## France

## NATIONAL FRENCH BOND FUTURES (MATIF)

	Open	Settle	Change	High	Low	Est. vol.	Open Int.
Sep	113.30	113.34	+0.04	113.38	113.24	190,494	121,818
Dec	112.40	112.46	+0.06	112.48	112.44	9,160	31,535
Mar	111.70	111.76	+0.06	111.78	111.70	259	3,957

## N. LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Settle	Change	High	Low	Est. vol.	Open Int.
113	0.52	-	-	0.26	2.70	-
114	0.12	1.49	-	0.92	3.77	-
116	0.01	0.71	-	0.37	3.70	-
117	-	0.50	-	0.36	-	-

Est. vol. total, Calls 15,071 Puts 5,024. Previous day's open Int., Calls 382,087 Puts 370,457.

## Germany

## NATIONAL GERMAN BOND FUTURES (LIEFF) DM250,000 100ths of 100%

	Open	Settle	Change	High	Low	Est. vol.	Open Int.
Sep	91.19	91.43	+0.23	91.46	90.96	121,701	137,468
Dec	90.40	90.58	+0.18	90.60	90.11	67,65	32,494

## N. LONG TERM GERMAN BOND OPTIONS (LIEFF) DM250,000 100ths of 100%

Strike Price	Settle	Change	High	Low	Est. vol.	Open Int.
91.00	0.43	0.89	1.08	1.27	0.13	1.50
91.00	0.48	0.84	1.04	0.97	1.43	1.78
92.00	0.85	1.07	1.05	1.14	1.02	2.28

Est. vol. total, Calls 14,625 Puts 27,768. Previous day's open Int., Calls 286,619 Puts 278,223.

## N. LONG TERM GERMAN BOND OPTIONS (LIEFF) DM250,000 100ths of 100%

Strike Price	Settle	Change	High	Low	Est. vol.	Open Int.
90.00	0.51	0.24	-	-	-	-

## UK GILTS PRICES

## Sterling (Liffe) (Last in Price)

	Notes	Yield	100th	100th	100th	100th	100th
12m 1994-95	11.89	5.25	100.00	100.00	100.00	100.00	100.00
Each Sep 1995-96	11.89	5.25	100.00	100.00	100.00	100.00	100.00
10m 1995-96	11.89	5.25	100.00	100.00	100.00	100.00	100.00
12m 1996-97	11.89	5.25	100.00	100.00	100.00	100.00	100.00
14m 1997-98	11.89	5.25	100.00	100.00	100.00	100.00	100.00
16m 1998-99	11.89	5.25	100.00	100.00	100.00	100.00	100.00
18m 1999-00	11.89	5.25	100.00	100.00	100.00	100.00	100.00
20m 2000-01	11.89	5.25	100.00	100.00	100.00	100.00	100.00
22m 2001-02	11.89	5.25	100.00	100.00	100.00	100.00	100.00
24m 2002-03	11.89	5.25	100.00	100.00	100.00	100.00	100.00
26m 2003-04	11.89	5.25	100.00	100.00	100.00	100.00	100.00
28m 2004-05	11.89	5.25	100.00	100.00	100.00	100.00	100.00
30m 2005-06	11.89	5.25	100.00	100.00	100.00	100.00	100.00
32m 2006-07	11.89	5.25	100.00	100.00	100.00	100.00	100.00
34m 2007-08	11.89	5.25	100.00	100.00	100.00	100.00	100.00
36m 2008-09	11.89	5.25	100.00	100.00	100.00	100.00	100.00
38m 2009-10	11.89	5.25	100.00	100.00	100.00	100.00	100.00
40m 2010-11	11.89	5.25	100.00	100.00	100.00	100.00	100.00
42m 2011-12	11.89	5.25	100.00	100.00	100.00	100.00	100.00
44m 2012-13	11.89	5.25	100.00	100.00	100.00	100.00	100.00
46m 2013-14	11.89	5.25	100.00	100.00	100.00	100.00	100.00
48m 2014-15	11.89	5.25	100.00	100.00	100.00	100.00	100.00
50m 2015-16	11.89	5.25	100.00	100.00	100.00	100.00	100.00
52m 2016-17	11.89	5.25	100.00	100.00	100.00	100.00	100.00
54m 2017-18	11.89	5.25	100.00	100.00	100.00	100.00	100.00
56m 2018-19	11.89	5.25	100.00	100.00	100.00	100.00	100.00
58m 2019-20	11.89	5.25	100.00	100.00	100.00	100.00	100.00
60m 2020-21	11.89	5.25	100.00	100.00	100.00	100.00	100.00
62m 2021-22	11.89	5.25	100.00	100.00	100.00	100.00	100.00
64m 2022-23	11.89	5.25	100.00	100.00	100.00	100.00	100.00
66m 2023-24	11.89	5.25	100.00	100.00	100.00	100.00	100.00
68m 2024-25	11.89	5.25	100.00	100.00	100.00	100.00	100.00
70m 2025-26	11.89	5.25	100.00	100.00	100.00	100.00	100.00
72m 2026-27	11.89	5.25	100.00	100.00	100.00	100.00	100.00
74m 2027-28	11.89	5.25	100.00	100.00	100.00	100.00	100.00
76m 2028-29	11.89	5.25	100.00	100.00	100.00	100.00	100.00
78m 2029-30	11.89	5.25	100.00	100.00	100.00	100.00	100.00
80m 2030-31	11.89	5.25	100.00	100.00	100.00	100.00	100.00
82m 2031-32	11.89	5.25	100.00	100.00	100.00	100.00	100.00
84m 2032-33	11.89	5.25	100.00	100.00	100.00	100.00	100.00
86m 2033-34	11.89	5.25	100.00	100.00	100.00	100.00	100.00
88m 2034-35	11.89	5.25	100.00	100.00	100.00	100.00	100.00
90m 2035-36	11.89	5.25	100.00	100.00	100.00	100.00	100.00
92m 2036-37	11.89	5.25	100.00	100.00	100.00	100.00	100.00
94m 2037-38	11.89	5.25	100.00	100.00	100.00	100.00	100.00
96m 2038-39	11.89	5.25	100.00	100.00	100.00	100.00	100.00
98m 2039-40	11.89	5.25	100.00	100.00	100.00	100.00	100.00
100m 2040-41	11.89	5.25	100.00	100.00	100.00	100.00	100.00

## ITALY

## NATIONAL ITALIAN GOVT. BOND (BTF) FUTURES (LIEFF) Lira 200,000 100ths of 100%

	Open	Sett price	Change	High
Sep	98.99	98.19	-0.81	99.00
Dec	98.50	96.54	-0.49	98.69

## Advance to £11m achieved despite decline in US print activities

# Restructured Wace jumps 57%

By Paul Taylor

Further cost reductions and improved productivity helped Wace, the restructured press and specialist printing group, report a 57 per cent increase in pre-tax profits for the half year to June 30.

On turnover which slipped slightly to £164m (£165.5m), pre-tax profits increased from £7.04m to £11.1m.

Earnings per share jumped from 4.1p to 10p as the tax charge fell to £1.6m (£2.47m). That reflected the utilisation of trading losses associated with the reorganisation of the property portfolio, resulting in a projected 15 per cent tax rate for the year.

The interim dividend is increased by 50 per cent to 1.5p.

The shares closed 16p higher yesterday at 270p.

Mr Trevor Grice, chief executive, said the profits increase reflected the continued drive for productivity improvements

together with the group's clear focus on cash generation. That had helped reduce net borrowing by £7.4m to £51.8m at the end of June compared with peak borrowings of £100m less than two years ago.

Trading profits increased by 24 per cent to £14.1m (£11.4m) led by improved results from pre-press operations in the UK, the US and continental Europe.

The pre-press operations in Europe as a whole produced considerably improved trading profits of £4.52m (£3.83m) on turnover down from £44.3m to £42.9m.

In the UK, despite intense pressure in the publications market, the corporate advertising market had started to show signs of improvement and the packaging market remained buoyant.

The printing operations in the UK lifted profits to £5.69m (£4.9m) on turnover of £55.3m (£54.4m).

The strongest performing businesses were the specialist



Trevor Grice: focus has been on cash generation

print operations although both corporate print and screen printing were also ahead of last year.

The group's US operations lifted trading profits by 20 per

cent to £3.86m (£3.22m) on broadly similar turnover of £55.3m (£56.8m).

US print turnover and profits, however, were slightly lower because of operational problems with two new presses in Michigan.

### COMMENT

Wace's current management team continue to impress and the strategy pursued over the past 18 months of driving costs down, generating a strong cash flow and paying down debt appears to be working. Meanwhile, although gearing remains high, the balance sheet looks much healthier.

The press problems in Michigan and £350,000 of Scottish commercial print restructuring costs will hold profits to about 23p this year, equivalent to 20.9p of earnings given the abnormally low tax rate. The shares are on a prospective multiple of 12.9 and could move higher as advertising volume improves.

## AIB may enter the bidding for HMC

By Alison Smith

Interest from other mortgage lenders in acquiring Household Mortgage Corporation appears to be waning with Allied Irish Banks, the Irish Republic's largest banking group, now expected to be among the bidders.

Through a subsidiary, AIB has a stake of about 7 per cent in HMC, which has a residential mortgage book of £1.5bn. Yesterday AIB would only say that it was watching the sale closely as a shareholder.

Other potential bidders are thought to include a number of building societies, notably Yorkshire and Birmingham Midlands.

HMC, the UK's largest centralised lender, said last month that it was seeking a buyer, and appointed Baring Brothers to manage the sale.

Bidders have been asked to submit indicative bids in early September. HMC will then draw up a shortlist of those who will be able to make a revised bid after closer inspection of the loan book.

The process is expected to take three or four months.

One difficulty for HMC may be that potential buyers are more interested in acquiring the mortgage book alone than in buying the company as an operating organisation.

Another factor is that the market in mortgage books is changing, particularly since Halifax Building Society's announcement that it was negotiating to buy the £1.5bn UK mortgage business of Banque Nationale de Paris.

Some potential bidders suspect that the prices at which mortgage books are available may be too high.

## NFC struggles to overcome City doubts

Recent events have not helped, writes Simon Davies

NFC had always prided itself on the strength of its paternalistic staff culture, but while Mr Peter Sherlock was chief executive there was a growing sense that the tide was turning. His departure yesterday suggests that the employees have, for the moment, won.

However, the company will struggle to win back respect from the City, where investors were already beginning to tire of the lack of results from Mr Sherlock's strategic review.

It is unclear whether this was the fault of Mr Sherlock, or the result of a lack of support from his fellow management team, many of whom were far from enthusiastic about his overhaul.

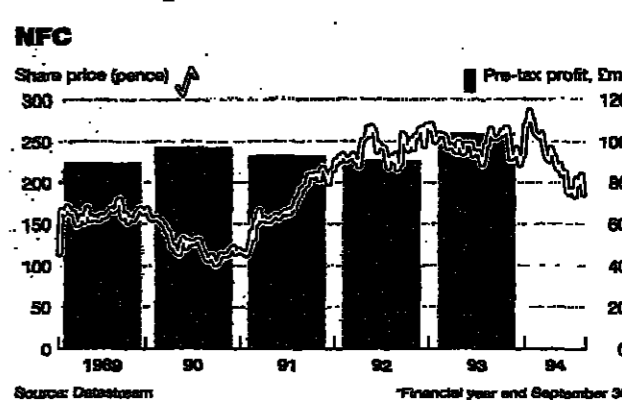
He certainly failed to turn round NFC's profit performance. June's interim results were disappointing, with no evidence of the economic recovery feeding through to profits, and no concrete results from the new strategy.

On the day of Mr Sherlock's departure, NFC disappointed again, with profits from Europe and North America below budget in the third quarter.

"The stock market was looking for reassurance that the strategic plan was working," said an analyst at a British brokerage. "The last thing we needed was this."

UBS Securities, brokers to NFC, have lowered their 1994 forecast from £120m to £110m, as a result of the disappointing figures.

Pre-tax profits before excep-



Source: Databank

Financial year end September 30

tional items rose only 5 per cent in the third quarter, despite the economic recovery and the £265m new funds from December's rights issue.

Mr Sherlock's strategic review involved a refocusing of management attention and capital on the higher value added businesses in NFC's repertoire, namely transport and logistics.

The most controversial proposal was a merger of NFC's two largest businesses, BRS and Exel Logistics - a move which is understood to have been strongly opposed by some of the "old guard".

The logic was that a merger of transport and contract distribution would link the two ends of the distribution chain, so removing costs and enhancing revenues. Other businesses, such as contract rental and parcels, would remain non-core operations.

The plan was welcomed by

analysts, and there are inevitable concerns that the removal of Mr Sherlock may reduce the pace of change, in spite of the board's stated commitment to the strategy.

The appointment of Mr Sherlock, an outsider, implied a realisation that the paternalistic management needed a little shaking up. Mr James Watson, chairman, will find it hard to demonstrate that commitment if he opts for an internal replacement, such as Mr Robbie Burns.

However, the problems encountered by Mr Sherlock may not encourage other leading executives to fill his shoes.

One fund manager said: "This company needs someone powerful who will take NFC by the scruff of its neck, tell the City what it is going to do, and then achieve it."

Insiders expect something more in keeping with NFC's paternalistic roots.

## Lower school sales hit Nottingham

By Simon Davies

Nottingham Group, one of the UK's leading suppliers of educational products, yesterday announced its first decline in profits for 12 years.

The setback came just five months after its flotation.

The shares fell 36p to 119p, having been as low as 110p, as the company revealed a further decline in sales to primary and secondary schools by its core business.

Pre-tax profits for the six months to June 30 fell 8.5 per cent to £3.61m (£3.94m), reflecting a 6 per cent decline in sales to schools. This was exacerbated by a shift towards lower margin products and the

impact of increased marketing costs.

Nottingham's shares were issued in March at 155p, when the company stated in its prospectus: "The directors expect that turnover and profit during the current financial year will benefit from a combination of the release of cash reserves by schools, the recently introduced marketing initiatives and new product lines."

The peak period for sales to schools is from late May to the end of July, and Nottingham has found that schools have increased their budget reserves.

With the National Curriculum to be announced in January and implemented by September, Mr David Mansfield, chief executive, expects sales to improve by

mid-1995, as reserves fall. He said, however, that profits in the second half were still unlikely to match 1993.

Turnover from continuing operations rose from £23.4m to £23.8m, with sales for the rehabilitation market rising from £4.6m to £5.7m. Pre-school sales also increased.

Operating expenses rose from £7.58m to £7.6m, reflecting the cost of new marketing initiatives, which have yet to feed through into increased sales. Nottingham is looking for acquisitions in related businesses, as gearing has fallen from 55 to 40 per cent since the flotation.

An interim dividend of 1.8p is payable from earnings per share of 4.6p (5.12p).

## Societies caution on housing growth

By Alison Smith

Benefits from sharp falls in provisions against bad and doubtful debts were reflected in increased pre-tax profits for the first half of this year reported yesterday by two of the UK's larger building societies.

However, both societies expressed caution about future growth in the housing market, saying that they expected only slow and gradual recovery.

Bradford & Bingley, the seventh largest society, recorded pre-tax profits of £79.2m in the six months to the end of June - a 35 per cent rise on last

year's £58.8m. Provisions fell steeply to £3.4m (£3.3m), and assets rose to £14.1bn (£13.3bn).

Pre-tax profits at Bristol & West, the 10th largest society, rose to £26m (£20.4m), after £7m restructuring costs had been taken into account. Provisions fell to £21.1m (£33.1m), while assets rose slightly to £2.2bn (£2.1bn).

Mr John Burke, B&W chief executive, said that the society planned to securitise some £150m of its commercial lending, as a way of demonstrating the high quality of the loan book and releasing resources which could then be used in other lending.

Securitisation allows lenders to take loans off their balance sheet. They place the assets in a special-purpose vehicle which then raises money by selling the debt securities to investors. Interest on the so-called "mortgage-backed" securities is funded by the loan repayments.

Mr Burke said that the society had cut the proportion of funding it was raising on the wholesale money markets to 22.8 per cent at the end of June, compared with 35.1 per cent at the end of 1993.

As a further element in strengthening B&W's operations as it recovers from a period in which it had high provisions and costs, the society is restructuring its estate agency business under the Hampton brand name.

B&W's cost/income ratio was 52 per cent (53 per cent) for the group, while that for the society alone was 42 per cent (43 per cent).

Mr John Smith, Bradford & Bingley's finance director, said that B&B's cost/income ratio had risen slightly from 46 per cent to 47 per cent.

This was partly because intensifying competition was putting pressure on income through narrower margins, he said.

## Prestwick rights issue only 25% subscribed

By James Buxton

The £4.5m rights issue launched by Prestwick Holdings, the Scottish electronics company, was 25.3 per cent subscribed, the company said yesterday.

Despite the low take-up for the 4-for-5 offering, Mr Archie Coulson, executive chairman, said he was pleased with the outcome.

"The issue was fully underwritten and means we now have nine new institutional shareholders and a better balance between institutions and private investors," he said. "It is now about 50-50 instead of around 30 per cent institutions and 70 per cent private."

## Graseby blames end of cold war for unchanged £4.96m

By Tim Burt

Graseby, the electronics group, yesterday blamed flat first half profits on falling demand for its defence equipment following the break up of the Soviet Union and end of the cold war.

A weak performance by the technology division, which makes detection systems for explosives and chemical weapons, held pre-tax profits at £4.96m (£4.97m) as group sales slid from £55.1m to £47.4m.

Worsening defence sales relegated the division from being the best-performing business to the worst with operating profits down from £2.66m to £1.05m.

However, that was offset by improved figures from the medical, environmental and product monitoring businesses.

"We have great growth prospects in these three divisions and they will be the key to our future," said Mr Paul Lester, chief executive.

Medical showed the sharpest improvement with operating profits increasing 83 per cent to £1.85m (£1.01m), helped by buoyant hospital demand for its drug delivery systems.

The division claimed that its latest product, a pocket size infusion pump, could generate sales of £20m over the next five years.

The product monitoring division saw operating profits increase 69 per cent to £1.97m (£1.16m) following UK cost-cutting and a five-month contribution from Graseby Best.

Sales of emission monitoring equipment, meanwhile, lifted profits in the environmental division from £1.25m to £1.43m.

The group benefited from sharply reduced net interest payments of £296,000 (£799,000) as borrowing fell from £26.7m at the 1993 year end to £13.9m, for gearing of 53 per cent.

Earnings per share were flat at 5.8p (5.7p) and, as previously announced, the interim dividend is reduced to 2.7p (3.3p). The total dividend is expected to be unchanged at 6.5p.

## Friendly Hotels ahead 42%

Friendly Hotels yesterday announced a 42 per cent increase in interim profits as trading improved after a slow start to the period.

On turnover ahead 19 per cent to £18.1m, the pre-tax line for the six months to June 12 rose to £963,000 (£679,000), helped by associates' contribution of £525,000 (£296,000).

Mr Henry Edwards, chairman, attributed the better showing to the 27-strong hotel chain. Improved trading was being maintained in the usually stronger second half, he said, and the group was still seeking "suitable" acquisitions.

The group's 13 serviced offices were encountering competitive trading conditions but maintained occupancy rates.

The interim dividend is held at 2.2p on capital increased by last September's £10m rights issue. Fully diluted earnings were 3.1p (3.3p) per share.

## Trans Union will not raise UAPT offer

Trans Union, the US credit information group, yesterday

said it would not increase its 550p offer for UAPT-Infolink, in spite of a higher bid from rival predator Equifax.

Equifax is offering 600p a share, increased from 500p after Trans Union's offer. However, Equifax's bid may be over, Equifax's bid may be over, Equifax's bid may be over.

The statement followed a sharp rise in the company's share price from 174p to 184p on Monday. Yesterday, the shares eased 1p to 183p.

Earnings per share came out at 6.5p (7.05p) or 6.71p (6.59p) fully converted. As already forecast the company is paying three interim dividends of 2.7p, but is now forecasting a 1994 final of 3.9p. It also expects to pay an interim of 8.7p in three instalments for 1995.

TBI, the property investment and development company, is paying £9.88m in cash and shares to acquire a mixed portfolio of 21 properties from Legal & General Assurance.

The portfolio consists of 14 retail units, five industrial units and two office buildings. The majority of the properties are in south-east England with three in the south-west and TBI intends to hold the portfolio for future development and resale.

Current total net rental

income is £1.08m. After the transaction, L&G will have about a 5 per cent stake in TBI.

YRM considering refinancing

Directors of YRM, the building design consultancy, said yesterday that they were considering a full range of strategic options for the company's future, including the possibility of a refinancing.

They stressed, however, that the considerations were at an early stage. The statement was in response to a recent rise in the share price, which has risen from a low of 15p last month to 38p yesterday - up 1p on the day.

Fidelity Euro Values net assets static

Fidelity European Values had a net asset value of 167.79p per share at June 30, a marginal increase on the December figure of 167.49p.

The FT-A Europe (Ex UK) Index fell by 3.48 per cent in the same period.

The trust, which seeks long-term growth through a continental European portfolio, reported retained revenue of £413,000 (£474,000) for the six months, equivalent to earnings of 0.79p (1.14p) per share.

Ben Bailey falls 9% despite sales rise

Increased house and land sales helped Ben Bailey Construction, the South Yorkshire-based housebuilder, lift turnover from £7.1m to £9.25m in the six months to June 30.

However, pre-tax profit dropped 9 per cent from £77,000 to £70,000, which Mr Richard Bailey, chairman, said reflected initial site set-up costs and increased staffing.

The number of new homes sold rose by 14 per cent to 136, with reservations up 20 per cent, but Mr Bailey warned there had been "some falling away of purchaser confidence over the last two months".

Earnings per share fell from 0.51p to 0.46p, but the interim dividend is maintained at 0.3p.

Scottish Eastern net assets dip 10%

Scottish Eastern Investment Trust reported net assets down 10 per cent at 95.3p as at July 31, against 105.4p six months earlier. The result, however, was 10 per cent higher than at the same stage in 1993.

Net revenue for the six months dropped from £5.12m to £4.48m, while earnings per share came to 0.7p (0.8p). The interim dividend is held at 0.52p.

Caparo in \$59m acquisition offer

Caparo Group, the privately-owned UK steel and engineering concern, is said to have offered \$59m (£38m) for the assets of Sharon Specialty Steel, the US steelmaker.

The acquisition offer, Caparo's largest to date, was reported to have been disclosed in a reorganisation plan filed to a US bankruptcy court, which is administering Sharon under Chapter 11.

It follows the announcement earlier this month that Mr Swraj Paul, the Anglo-Indian businessman who founded and chairs Caparo, had signed a letter of intent to buy the US group.

If the deal goes through, it would transform Caparo into a \$1bn (£600m) company.

StanLife grows unit trust side

Standard Life Fund Management, the unit trust company, starts business today following the decision by Standard Life, the UK's largest mutual life insurer, to buy out Halifax Building Society, its former partner in the business.

Halifax Standard Trust Management looked after two trusts, Income Advantage and Global Advantage, with 68,000 customers and funds of more than £300m. The new company will also offer a UK equity growth trust, which was marketed through Standard's other unit trust company.

Developing the new wholly owned company could lead to a more fundamental restructuring of Standard's unit trust subsidiaries.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
Bailey (Ben)	0.3	Oct 20	0.3	-	1.05p
Equifax	1.4	Oct 26	-	1.4	-
Friendly Hotels	2.2	Jan 8	2.2	-	5.7
Graseby	2.7	Nov 1	3.3	-	6.0
Kerry	1.8	Nov 25	0.51	-	3.51
Murray Int'l	8.7	-	8.1	-	11.6
Nottingham	1.84	Oct 21	-	-	-
Scottish East	0.52	-	0.52	-	1.58
Wace	1.5	Oct 12	1	-	3.5

Dividends shown pence per share net except where otherwise stated. 10p increased capital. Final of 3.9p forecast, maintaining total £718 million period to end-December. Payable in three instalments. Final of 8.9p forecast. British pence.

## COMMODITIES AND AGRICULTURE

## Coffee prices jump as buyers find supplies tight

By Alison Maitland

Buying interest from coffee manufacturers and a shortage of supplies drove coffee futures prices sharply higher in London yesterday.

The second position robusta contract rose \$150 to close just below the day's high at \$3,570 a tonne, giving a two-day rally of 7.7 per cent.

Commodity Exchange prices were helped by a strong performance in New York on Monday, which continued yesterday. The December arabica contract was 7.5 cents stronger in afternoon

trading at 197 cents a pound.

The rally took London prices back to the levels of two and a half weeks ago. But November futures were still about \$500 off the peak reached in the wake of the second frost in Brazil in early July.

"At the lower levels of the past two weeks there has been significant interest from roasters to accumulate and extend their cover," said Mr Robert MacArthur, head of tropical trading at Merrill Lynch in London.

"Selling by growers is restricted because they don't want to be too aggressive in

selling at these lower levels."

Continued dry weather in Brazil has encouraged the bulls, since it is likely to hamper the flowering season, which begins next month. The US Department of Agriculture warned last week that rainfall was now needed for a "favourable" flowering season.

Some traders were expecting trade demand to increase in the run-up to the important winter roasting period, but they hesitated to predict how much prices might recover while the true extent of the frost damage in Brazil was still unclear.

## Australian farm returns boosted by livestock

By Nikki Tait in Sydney

Australian farmers saw an overall 4 per cent increase in prices received in 1993-94. But the improvement, which compared with a 2.1 per cent fall in 1992-93, was largely due to higher returns from livestock and wool. Crop prices were generally lower than in the previous year.

The figures, produced by the Australian Bureau of Agriculture and Resource Economics and published yesterday, showed that cattle prices increased by 14 per cent, thanks to a reduction in slaughterings and higher export prices. Prices of lambs and sheep rose by 12 and 23 per cent respectively, while wool prices were 3.9 per cent higher.

Grain prices, by contrast, fell for the second year in succession, with a 6.7 per cent decrease in 1993-94 following the 4.6 per cent dip in 1992-93.

The price fall for barley was 13 per cent and for wheat, 9.8 per cent. Only a few crops bucked the trend: sugar prices, for example, rose 12 per cent and tomato returns were up 30 per cent. Wine grape growers enjoyed a 17 per cent rise, while cotton prices were up 5.5 per cent.

The index of prices paid by farmers rose by only 2.6 per cent, with the most noticeable increases coming for store and breeding stock and for plant and equipment.

## European sugar cut predicted

European beet sugar production would fall to 23.8m tonnes in 1994-95, from 24.9m in 1993-94, German statistical agency F.O. Licht forecast yesterday, reports Reuters from Ratzburg.

Western Europe would produce 19.2m tonnes, down from 21.0m, and eastern European 9.4m tonnes, against 10.8m.

## Oil market takes stock after sharp fall

By Robert Corzine

Oil prices steadied yesterday as traders pondered whether the latest sharp falls signalled a breakdown in prices or merely a deep correction.

The price of the benchmark Brent Blend was about \$15.90 a barrel in late London trading yesterday, 20 cents up from the close of \$15.70 on Monday, when a 60 cent fall pushed the Brent price below \$16 for the first time since June.

Some analysts yesterday said heavy selling by commodity and derivative funds was a big factor in pushing prices

down. But one London trader noted that it was the "oil community" that started the selling spree.

The latest falls in large part reflected a growing conviction in the markets that the political crisis and strike by oil workers in Nigeria would not lead to further big supply disruptions. "The markets have discarded Nigeria as a factor," according to Mr Peter Gignoux, head of the energy desk at the London office of US brokers Smith Barney.

Other analysts noted that concern over a cut-off in Nigerian supplies coincided with

prices approaching the top end of the \$15-\$19 range which many have predicted for the year.

"The Nigerian crisis hit at a time of upside fatigue," said Mr Vahan Zanyan, an analyst with the Washington DC-based Petroleum Finance Company.

He believed prices went up too fast in response to the threat of major supply disruptions, which never materialised. Prices at the higher end of the range needed continuous support from events and were "more sensitive to bearish news," he added.

Another factor contributing

to the oil price fall was the imminent shut down for maintenance of a large number of US refineries. In addition there are plentiful supplies, especially from the North Sea, of the light crude oil which Nigeria mainly produces.

Most analysts, however, are predicting that supply pressures are likely to emerge towards the end of the year. This is because of rising world demand and the fact that other members of the Organisation of Petroleum Exporting Countries are so far showing no signs of cheating on their production quotas.

## Brazilians expand plantings

Higher world market prices for green coffee since the introduction last October of the producer's export retention scheme resulted in expanded plantings in Brazil's Minas Gerais and Sao Paulo states, the German coffee industry association DEK said yesterday, reports Reuters from Hamburg.

The use of fertiliser had also increased, according to an article in DEK's bulletin assessing Brazil crop damage following the June and July

frost. Some farmers might still be able to reap good harvests and to reinvest their higher earnings in the wake of frost damage to the 1995-96 crop, DEK said.

About 1bn Brazilian coffee trees, a quarter of the total, had been felled between 1991 and 1993 as depressed world prices made production largely unprofitable.

Brazil's 1994-95 crop would be in a range of 22m to 25m bags (60kg each), while the

1995-96 crop should be reduced by 9m or 10m from 25m to 30m bags expected before the frost, the article said, citing US and trade estimates.

The Brazil authorities had put the frost-hit crop at 15m to 17m bags.

Depending on the extent of the damage, which will not be fully apparent until October, Brazil could return to good harvests as early as 1996-97, DEK said. In any case sizeable crops were likely to re-emerge in 1997-98.

## Producers to discuss rubber pact

The world's main rubber producing nations will meet in Thailand next month to discuss their negotiating strategy for a new global price stabilisation pact, an official from a rubber producers council said here yesterday, reports Reuters from Kuala Lumpur.

Mr Sucharit Frommel, secretary-general of the Association of Natural Rubber Producing Countries said the meeting would be held in Hatyai on September 23 and 24.

"We will have a round of informal talks there before we go to Geneva for the second round of negotiations for a new

agreement," he said after the ANRPC met.

Major rubber producing and consuming nations are to meet in Geneva from October 3-14 to negotiate the third International Natural Rubber Agreement.

Producers and consumers remain at odds over the benchmark price for rubber, with producers saying they are too low and consumers saying they are just right.

The ANRPC groups India, Indonesia, Malaysia, Papua New Guinea, Singapore, Sri Lanka and Thailand, which between them control about 80

per cent of the world's supply. It met in Kuala Lumpur to discuss decisions taken by a special executive session of the International Natural Rubber Organisation on Monday.

The Iuro council decided to continue selling rubber from its stockpile in a so far vain attempt to pull down prices.

Mr Sucharit said the informal round in Hatyai would focus on demands by producers for higher reference prices for rubber, which have remained basically unchanged since the first rubber pact was agreed in 1979.

## Gold market absorbs fund 'dishoarding'

By Kenneth Gooding, Mining Correspondent

At least 800 tonnes of gold (28m troy ounces) was bought by hedge and commodity funds in 1993, according to estimates by the American Precious Metals Advisors consultancy organisation.

It suggests that the funds then sold at least 500 tonnes (17m ounces) in the first half of 1994.

Mr Jeffrey Nichols, APMA's president, says gold sales by the funds have undoubtedly continued in the second half of this year.

"What is quite remarkable is that the market has absorbed this incremental supply without much agony and the price of gold has remained mostly in the \$375 to \$395 (an ounce) range," he says in the latest issue of APMA's Metals FAX.

"This is testimony to the strength of investment and jewellery demand from Asia and the Middle East," he states. "The implication is that, when institutional dishoarding [of gold] has run its course, barring a resumption of large central bank sales, there will be insufficient sup-

plies to satisfy market requirements."

Mr Nichols points out that most of the gold buying and selling by the funds was principally through derivative instruments such as exchange-traded futures, over-the-counter, or dealer, forwards, options, and warrants. Some other large-scale players in the gold market, particularly many European and Middle Eastern investors who years ago participated exclusively in the physical bullion market, are also now trading principally in derivative instruments.

He argues that this change

has obscured their activities to some analysts, "resulting in a false picture of what's really going on in the gold investment arena".

Mr Nichols suggests that the markets for gold derivatives and bullion are not really separate and distinct markets, but are "a seamless, interrelated, single market" because every purchase or sale of gold derivatives translates into buying or selling of gold bullion in the physical market.

MetalsFAX: US\$7,000 a year from APMA in Vermont, US, on fax 802 985 5436.

## MARKET REPORT

## Copper leads LME metals to firmer ground

Significant underlying demand for COPPER, uncovered by a dip yesterday morning gave encouragement to other London Metal Exchange contracts, which closed mostly higher on the day.

"Everyone wants to buy copper on dips... there's a widespread feeling that the copper price could move up strongly in September," a trader commented.

Early dealer selling and liquidation and an LME warehouse stocks rise put copper on the defensive in early trading

LME WAREHOUSE STOCKS (as at Monday's close)	
Aluminium	-2,500 to 2,487,175
Aluminium alloy	-120 to 23,160
Copper	-2,075 to 352,650
Gold	260 to 386,025
Nickel	+762 to 138,182
Zinc	+3,850 to 123,476
Tin	-30 to 51,425

and the three months delivery position fell to \$2,370 a tonne. But at the close it was at \$2,390, up \$7 a tonne.

Traders said the early sell-off in copper reflected volatility created by the market adjust-

ing to a new, lower, short-term trading range.

ALUMINIUM was also undermined by a stocks rise, three months metal dipping to \$1,471 a tonne in early trade. A steady recovery for the rest of the day triggered short-covering in after hours trading, however, which prompted a burst up to \$1,504, up \$19 from Monday.

Traders warned that selling was likely to be attracted above \$1,500, though a break above \$1,510 could signal fresh gains.

ZINC remained underpinned by trade buying and rallied to the top end of its narrow trading range late in the day. From a morning low of \$963 a tonne the three months price rallied to \$989, up \$26 on the day.

European precious metals markets remained quiet as New York, where most of the recent moves have started, failed to offer direction.

In London GOLD closed at \$383 a troy ounce, down 70 cents, while SILVER eased 2 cents to \$5.224 an ounce. Compiled from Reuters

## COMMODITIES PRICES

## BASE METALS

## LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

## ALUMINIUM, 99.7 PURITY (% per tonne)

Cash 3 mths

Close 1459.50 1469.50

Previous 1457.50 1465.50

High/Low 1457.50 1465.50

AM Official 1460.50 1470.50

Kerb close 1460.50 1470.50

Open Int. 274,394

Total daily turnover 35,611

## ALUMINIUM ALLOY (% per tonne)

Close 1530.00 1530.00

Previous 1525.00 1530.00

High/Low 1525.00 1530.00

AM Official 1530.00 1530.00

Kerb close 1530.00 1530.00

Open Int. 2,882

Total daily turnover 408

## LEAD (% per tonne)

Close 585.5-6.5 585.5-6.5

Previous 584.5 584.5

High/Low 584.5 584.5

AM Official 584.5 584.5

Kerb close 584.5 584.5

Open Int. 40,864

Total daily turnover 7,391

## NICKEL (% per tonne)

Close 5725-35 5725-35

Previous 5695-700 5695-700

High/Low 5695-700 5695-700

AM Official 5695-700 5695-700

Kerb close 5695-700 5695-700

Open Int. 56,475

Total daily turnover 11,948

## TIN (% per tonne)

Close 5190-95 5200-95

Previous 5190-95 5200-95

High/Low 5190-95 5200-95

AM Official 5200-95 5200-95

Kerb close 5200-95 5200-95

Open Int. 17,376

Total daily turnover 5,003

## ZINC, special high grade (% per tonne)

Close 5930-40.5 5940-40.5

Previous 5930-40.5 5940-40.5

High/Low 5930-40.5 5940-40.5

AM Official 5940.5-1.5 5950-1.5

Kerb close 5940.5-1.5 5950-1.5

Open Int. 90,869

Total daily turnover 19,301

## COPPER, grade A (% per tonne)

Close 2370-1 2385-58

Previous 2374.5-2.5 2391-2.5

High/Low 2374.5-2.5 2391-2.5

AM Official 2377-78 2391-2.5

Kerb close 2377-78 2391-2.5

Open Int. 211,189

Total daily turnover 49,894

## LME AMERICAN 2 1/2% note 1.5841

LME Closing 2 1/2% note 1.5841

## SPECIAL HIGH GRADE COPPER COMEX

Close change High Low

Aug 108.00 +0.25 108.00 108.00 154 51

Sep 107.25 +0.25 107.25 107.25 17,485 81

Oct 107.00 +0.25 107.00 107.00 807 3

Nov 107.25 +0.25 107.25 107.25 500 2

Dec 107.25 +0.25 107.25 107.25 3,817

Jan 107.25 +0.25 107.25 107.25 2,102

Feb 107.25 +0.25 107.25 107.25 1,182

Mar 107.25 +0.25 107.25 107.25 1,182

Apr 107.25 +0.25 107.25 107.25 1,182

May 107.25 +0.25 107.25 107.25 1,182

Jun 107.25 +0.25 107.25 107.25 1,182

Jul 107.25 +0.25 107.25 107.25 1,182

Aug 107.25 +0.25 107.25 107.25 1,182

Sep 107.25 +0.25 107.25 107.25 1,182

Oct 107.25 +0.25 107.25 107.25 1,182

Nov 107.25 +0.25 107.25 107.25 1,182

Dec 107.25 +0.25 107.25 107.25 1,182

Jan 107.25 +0.25 107.25 107.25 1,182

Feb 107.25 +0.25 107.25 107.25 1,182

Mar 107.25 +0.25 107.25 107.25 1,182

Apr 107.25 +0.25 107.25 107.25 1,182

May 107.25 +0.25 107.25 107.25 1,182

Jun 107.25 +0.25 107.25 107.25 1,182

Jul 107.25 +0.25 107.25 107.25 1,182

Aug 107.25 +0.25 107.25 107.25 1,182

Sep 107.25 +0.25 107.25 107.25 1,182

Oct 107.25 +0.25 107.25 107.25 1,182

Nov 107.25 +0.25 107.25 107.25 1,182

Dec 107.25 +0.25 107.25 107.25 1,182

## PRECIOUS METALS CONTINUED

## GOLD COMEX (100 Troy oz; \$/troy oz)

Close 381.5 -1.2 382.0 381.5 117 40

Previous 381.5 -1.2 382.0 381.5 117 40

High/Low 381.5 -1.2 382.0 381.5 117 40

AM Official 381.5 -1.2 382.0 381.5 117 40

Kerb close 381.5 -1.2 382.0 381.5 117 40

Open Int. 108,848 18,933

## PLATINUM NYMEX (50 Troy oz; \$/troy oz)

Close 412.7 -1.4 414.1 413.0 2,111

Previous 412.7 -1.4 414.1 413.0 2,111

High/Low 412.7 -1.4 414.1 413.0 2,111

AM Official 412.7 -1.4 414.1 413.0 2,111

Kerb close 412.7 -1.4 414.1 413.0 2,111

Open Int. 42.8

Total 24,812 2,258

## PALLADIUM NYMEX (100 Troy oz; \$/troy oz)

Close 154.20 -154.00 153.00 2,781 88

## LONDON STOCK EXCHANGE

## MARKET REPORT

## Strong opening on Wall Street lifts UK equities

By Steve Thompson

A strong rally in the dollar after prolonged weakness provided a much-needed boost to international bond markets and helped rescuato a UK equity market suffering from an acute sense of inactivity.

The FT-SE 100 index ended a difficult session a net 3.8 higher at 3,171.3 and there was a feeling around the City's trading desks that a good closing performance by Wall Street could see the UK equity market launch another attempt on the 3,200 level. There was encouragement for that view after London closed with the Dow Jones Average up more than 25 points more than two hours after trading finished in the UK.

The FT-SE Mid 250 index moved in tandem with the senior FT-SE

index, ending the day 8.6 up at 3,753.4 and was given a substantial push by another strong performance from the utilities areas of the market where there were persistent rumours that a predatory move against one of the regional electricity stocks might materialise sooner rather than later.

The main driving force for share prices in London came from the gilts market where long-dated stocks, which were down almost half a point early in the session, rallied to end the day fractionally higher on balance.

The dollar's improvement, which drew an instant response across international financial centres, came as markets were said to have adopted an early bullish view of the current series of bond auctions.

Yesterday saw the auction of over

\$17bn worth of two-year bonds while today brings the sale of \$1bn of five-year debt. Traders also said that the dollar had been oversold and was due a rally.

Many dealers remained unconvinced that the market was about to move ahead, pointing to the recent low turnover levels in what is traditionally one of the quietest trading periods of the year. Turnover in equities yesterday was 556.5m shares, with non FT-SE 100 stocks accounting for just short of 60 per cent of the total.

Sentiment at the close was in marked contrast with the early part of the trading session. An early attempt to mark stock prices higher succeeded only briefly as both the FT-SE future and the long gilt future were hit by surges of substantial selling pressure.

The FT-SE 100 which posted a gain of around two points minutes after the opening subsequently ran back to show a double-figure decline in mid-morning.

Thereafter, prices began to stabilise, recognising the gradual improvement in the dollar, and subsequently improved to close at the day's best levels.

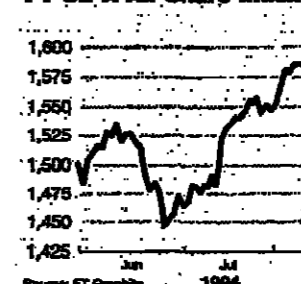
Late trading was featured by a series of big individual trades, including the purchase of a block of 2.2m Vodafone, the UK's leading cellular phones group. The FT-SE 100's best individual performance came from Prudential where one institution was said to have paid 31p a share for a block of 1.6m shares. Insurance shares are among the market's worst performers this year, dealers said.

Financials also provided two good

performers in Barclays, which shrugged off recent switching into NatWest and responded instead to a bullish circular, and Bank of Scotland, which continued to respond to a recent upgrade. Guinness, the brewing and distilling group, was also heavily traded as the session drew to a close.

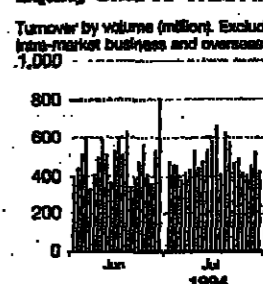
Worries about developments in milk marketing continued to affect the market's two big dairy producers, Northern Foods and Unigate. NFC, the transport group, was the FT-SE 100's worst performer, slipping back in the wake of the resignation of the chief executive and a profits warning. NFC is now regarded as the prime candidate to drop out of the prestigious FT-SE 100 list when the constituents list is next reviewed.

## FT-SE-A All-Share Index



Source: FT Graphs

## Equity Shares Traded



Turnover by volume (millions). Excluding: non-market business and overseas turnover

## Key Indicators

Indices and ratios	
FT-SE 100	3175.1
FT-SE Mid 250	3753.4
FT-SE-A 350	1804.8
FT-SE-A All-Share	1582.41
FT-SE-A All-Share yield	3.75

## Best performing sectors

1 Life Assurance	+1.3	
2 Tobacco	+0.9	
3 Extractive Inds	+1.1	
4 Insurance	+0.5	
5 Spirits, Wines & Cider	+0.5	

## Worst performing sectors

1 Gas Distribution	-1.2	
2 Leisure & Hotels	-0.6	
3 Chemicals	-0.5	
4 Transport	-0.5	
5 Health Care	-0.5	

## Takeover talk peps Wellcome

The market has the scent of a big takeover in the pharmaceutical sector and refuses to let go. Yesterday there was a whiff of very big game being hunted by Glaxo, the UK leader, with Wellcome pin-pointed as prime target.

A story in the US press said Glaxo had secured a \$180m line of credit. This gave rise to sug-

gestions that it might be looking at either Eli Lilly, the new owner of prized pharmacy benefit manager PCS, Warner Lambert or Wellcome. Although analysts and dealers were sceptical they were running through the numbers and suggesting that Lilly would have a take-out price of \$70 to \$75 a share and Lambert of over \$100. Wertheim Schroder had already suggested that Wellcome might be bought at 90p a share and was stocking interest in the sector yesterday with a place of research arguing for strong overweighting. Analyst Dr Jonathan Gelles argued that investors should be up to three times

overweight but should perhaps switch from SmithKline which was suffering from a "thwarted strategy" and erosion of profits by generic rivals to Tagamet, its anti-ulcer treatment. SmithKline was down to 84p and Wellcome 9 to 70p while SmithKline was flat at 44p.

## NFC shock

A profits warning from NFC together with the shock resignation of the company's chief executive sent shares in the freight group tumbling in the third quarter profits of 57p. The shares were down 14p at 185p, making it the day's biggest retreat among FT-SE 100

constituents while turnover of 15m shares made it the most heavily traded stock of the day.

Analysts downgraded full year forecasts for the group by around 210m to 210m after third quarter profits of 57p. The fall short of expectations of around 80m. NFC also disappointed the market in June with lower than expected interim figures.

The resignation of the chief executive after only 18 months in the job took the market by surprise but market watchers welcomed the decision of Mr Robbie Lee, the head of the group's UK transport and logistics arm, to withdraw his resignation. One analyst said: "This

is all a bit of a shock but I believe that the management changes at NFC will counter the negative impact of the lower than expected figures."

Shares in leisure group Thorne EMI recovered from early lows to close 9 down at 104p, on volume of 2.2m, after the company reported an 18 per cent decline in first quarter figures.

Profits fell £7.3m to £40.4m and dealers moved quickly to sell the stock sending the shares to a low of 104p. However, later in the day, the share moved away from the headline profit figure and analysts focused on the 25 per cent increase in operating profits, helping the shares claw back some of the earlier losses.

Mr Bruce Jones at Smith New Court commented: "The underlying figures and statement are encouraging but the shares have had a good run." An analysts tour of some of the group's operations began next week.

Tobacco group Rothmans International shed 9 to 303p as Smith New Court issued a bearish note in the light of a price war in Australia. The securities house estimated that the potential lost profits from the Australian situation amounted to five per cent of the group's total.

Worries about property prices following the Hong Kong government's decision to pull one of its land auctions sent Hong Kong related stocks lower yesterday. HSBC fell 8 to 71p and Cable & Wireless slipped 45p but rallied to close

much of the cash will be liberated in the form of higher dividends and possibly a share buy back. Hoare predicts a 25 per cent rise in the dividend every year for the next few years. The shares rose 2 to 56p with volume heavy at 9.3m.

Composite insurer Commercial Union lifted 7 to 547p as Smith New Court reiterated its long-term buy recommendation on the stock. The house believes that although the purchase of Groupe Victoire will knock CU's asset value down to 60p a share initially the NAV will rise 2 per cent a year more than it would have done previously as a result of the acquisition.

A weak oil price was countered by optimism over refining margins and, in the case of Shell Transport, over the dividend. Shell is to announce its first half dividend on September 15. Because of the weakness of sterling against the Dutch guilder it could, according to some analysts, boost the NAV by 15 per cent. It is unlikely to be that high but some houses were apparently mooting the idea of rises as high as 12 per cent - the current prejudice remains in favour of 8 per cent. Shell improved 4 to 71p while BP was firm at 40p.

Chemicals group Courtaulds slipped 6 to 527p as institutional investors reacted to a cautious note from BZW. The investment bank argues that the hope value invested in Tencel, the company's new fibre, was already discounted by the shares' 27 per cent premium to

the FT-A All Share Index.

A clutch of broker's recommendations powered industrial group Charter, which on Monday declared its bid for welding equipment supplier Esab unconditional. The group is expected to win the 90 per cent acceptance it needs to achieve a complete takeover.

The shares jumped 26 to 796p, with Kleinwort Benson and NatWest Securities among brokers recommending the shares.

British Steel put 4 to 155p, after stainless steel group Avesta Sheffield, its Swedish joint venture, returned to profit in the first half of the year.

Holiday group Airtrons had a volatile day. The shares were down 15 early in the session on rumours that the group was about to issue a profits warning. Calls to the company from anxious dealers and analysts met with a "no comment" reply which initially increased the market worries.

However, mid-session bargain hunters started a recovery and, together with the dismissal of the early rumours by many analysts, the shares closed 4 ahead at 449p. The early negative sentiment weakened rival Owners Abroad which gave up 1p to 104p.

Printing group Wace jumped 14 to 270p after announcing interim profits up 57 per cent.

## MARKET REPORTERS:

Peter John, Joel Kibazo, ■ Other statistics, Page 16.

## EQUITY FUTURES AND OPTIONS TRADING

Stock index futures rallied after an uncertain start, responding to a sharp uptick in international bonds and a firmer showing by the dollar.

Dealers took the view that both areas were oversold, writes Steve Thompson.

The September futures contract opened at 3,185 but

ran into selling pressure, unsettled by the recent slide in the dollar and worries about the big US bond auctions taking place yesterday, retreating to what turned out to be the day's low, 3,171, in mid-morning.

Thereafter, the contract began to rally with support triggered by a gradual improvement in international bond markets and a strong opening on Wall Street, which was over 20 points higher when London closed. By the close of trading the futures contract had moved up to 3,191, a premium of around eight points to fair value.

Dealers said it was set for another move above 3,200. It was another disappointing day in traded options where volume came out at 21,800 lots. The FT-SE options were especially disappointing, reaching only 5,000 contracts. HSBC was the busiest stock option, attracting turnover of 2,206 contracts, reacting to a sharp decline in the underlying shares which were undermined by news that the Hong Kong authorities had withdrawn its latest land auction.

The UK Series

FT-SE 100

FT-SE Mid 250

FT-SE 350

FT-SE All-Share

FT-SE All-Share

FT-SE All-Share

FT-SE All-Share

FT-SE All-Share

FT-SE All-Share

FT-SE All-Share

FT-SE All-Share

FT-SE All-Share

FT-SE All-Share

FT-SE All-Share

FT-SE All-Share

FT-SE All-Share

FT-SE All-Share

FT-SE All-Share

FT-SE All-Share

FT-SE All-Share

FT-SE All-Share

FT-SE All-Share

FT-SE All-Share

FT-SE All-Share

FT-SE All-Share

FT-SE All-Share

FT-SE All-Share

FT-SE All-Share

FT-SE All-Share

FT-SE All-Share

FT-SE All-Share

FT-SE All-Share

FT-SE All-Share

FT-SE All-Share

FT-SE All-Share

FT-SE All-Share

FT-SE All-Share

FT-SE All-Share

FT-SE All-Share

FT-SE All-Share

FT-SE All-Share

## TRADING VOLUME

Major Stocks Yesterday

Stock	Vol.	Close	Day's Change
ASDA Group	1,000	84	+15
Almalyk	1,000	264	+15
Almalyk	1,000	264	+15
Almalyk	1,000	264	+15
Almalyk	1,000	264	+15
Almalyk	1,000	264	+15
Almalyk	1,000	264	+15
Almalyk	1,000	264	+15
Almalyk	1,000	264	+15
Almalyk	1,000	264	+15

ASDA Group

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

## LIFE EQUITY OPTIONS

Options

Option	Call	Put	Call	Put
ASDA Group	84	15	84	15
Almalyk	264	15	264	15
Almalyk	264	15	264	15
Almalyk	264	15	264	15
Almalyk	264	15	264	15
Almalyk	264	15	264	15
Almalyk	264	15	264	15
Almalyk	264	15	264	15
Almalyk	264	15	264	15
Almalyk	264	15	264	15

ASDA Group

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

Almalyk

**INVESTMENT TRUSTS - Contd**[Fig. 1]

مكتبة احمد الاصل



## AUTHORISED UNIT TRUSTS

[illegible][illegible][illegible]

کتابخانه اسلامی

**FT MANAGED FUNDS SERVICE**

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (971) 875-4378 for more details.

[illegible]

**LUXEMBOURG (SIR RECOGNISED)**

فكرنا في الاخلاق

**FT MANAGED FUNDS SERVICE**

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Main Desk on (877) 873-4378 for more details.

[illegible]

## CURRENCIES AND MONEY

## MARKETS REPORT

## Soros helps the dollar

Mr George Soros, the influential US investor, yesterday helped the dollar and sterling retrace some of their recent losses, writes Philip Gosh.

Comments from Mr Soros in a TV programme, warning about the dangers of a weak dollar, helped boost the US currency, and sterling followed in its wake.

The pound closed in London at DM1.577, up from DM1.539. Against the yen it was also firmer, finishing at ¥98.45 from ¥97.96.

The pound rose by over 1/4 pence to close at DM1.577 from DM1.539. The sterling index finished at 78.6 from 78.2.

Little significance was attached to the moves which took place against the background of no fresh data or policy developments.

With the dollar firmer, the D-Mark also lost ground in Europe. The most significant gain came from the Spanish peseta which finished at Ptas 83.94 from Ptas 83.78.

Analysts said it was the beneficiary of better economic data and predictions of good figures in August.

Mr Soros's comments, which were re-run from an earlier TV showing, cautioned against dollar depreciation. "If you allow the currency to depreciate too much, that can be very destabilising because of its inflationary implications and its implications for the bond market," he said.

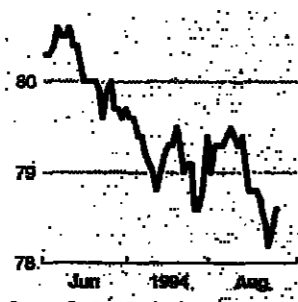
Mr Steve Barrow, international economist at Chemical Bank, commented: "The market seems to be so devoid of any ideas at the moment that it latched onto Soros." There was little follow-through buying, however, and the dollar was trading weaker in the New York afternoon.

The only fundamental development of interest was the commencement in Seattle, of US-Japan framework talks on access to each other's insurance markets. Mr Masayoshi Takemura, the Japanese finance minister, said in Tokyo that the two countries had made more progress in the insurance sector than in the other priority areas of government procurement and car and

## Sterling

Trade weighted index, 1985 = 100

81



Source: Bank of England

■ Poured In New York		
Aug 23	—Last—	—Prev. close—
E spot	1.5545	1.5585
1 mth	1.5542	1.5583
3 mth	1.5528	1.5549
1 yr	1.5409	1.5440

जय को लिख

जय को लिख

जय को लिख

जय को लिख


जय को लिख

## NEW YORK STOCK EXCHANGE COMPOSITE PRICES

A - Z									
173	134	AM	0.08	1.34	121	134	AM	0.08	1.34
174	135	AM	0.08	1.34	122	135	AM	0.08	1.34
175	136	AM	0.08	1.34	123	136	AM	0.08	1.34
176	137	AM	0.08	1.34	124	137	AM	0.08	1.34
177	138	AM	0.08	1.34	125	138	AM	0.08	1.34
178	139	AM	0.08	1.34	126	139	AM	0.08	1.34
179	140	AM	0.08	1.34	127	140	AM	0.08	1.34
180	141	AM	0.08	1.34	128	141	AM	0.08	1.34
181	142	AM	0.08	1.34	129	142	AM	0.08	1.34
182	143	AM	0.08	1.34	130	143	AM	0.08	1.34
183	144	AM	0.08	1.34	131	144	AM	0.08	1.34
184	145	AM	0.08	1.34	132	145	AM	0.08	1.34
185	146	AM	0.08	1.34	133	146	AM	0.08	1.34
186	147	AM	0.08	1.34	134	147	AM	0.08	1.34
187	148	AM	0.08	1.34	135	148	AM	0.08	1.34
188	149	AM	0.08	1.34	136	149	AM	0.08	1.34
189	150	AM	0.08	1.34	137	150	AM	0.08	1.34
190	151	AM	0.08	1.34	138	151	AM	0.08	1.34
191	152	AM	0.08	1.34	139	152	AM	0.08	1.34
192	153	AM	0.08	1.34	140	153	AM	0.08	1.34
193	154	AM	0.08	1.34	141	154	AM	0.08	1.34
194	155	AM	0.08	1.34	142	155	AM	0.08	1.34
195	156	AM	0.08	1.34	143	156	AM	0.08	1.34
196	157	AM	0.08	1.34	144	157	AM	0.08	1.34
197	158	AM	0.08	1.34	145	158	AM	0.08	1.34
198	159	AM	0.08	1.34	146	159	AM	0.08	1.34
199	160	AM	0.08	1.34	147	160	AM	0.08	1.34
200	161	AM	0.08	1.34	148	161	AM	0.08	1.34
201	162	AM	0.08	1.34	149	162	AM	0.08	1.34
202	163	AM	0.08	1.34	150	163	AM	0.08	1.34
203	164	AM	0.08	1.34	151	164	AM	0.08	1.34
204	165	AM	0.08	1.34	152	165	AM	0.08	1.34
205	166	AM	0.08	1.34	153	166	AM	0.08	1.34
206	167	AM	0.08	1.34	154	167	AM	0.08	1.34
207	168	AM	0.08	1.34	155	168	AM	0.08	1.34
208	169	AM	0.08	1.34	156	169	AM	0.08	1.34
209	170	AM	0.08	1.34	157	170	AM	0.08	1.34
210	171	AM	0.08	1.34	158	171	AM	0.08	1.34
211	172	AM	0.08	1.34	159	172	AM	0.08	1.34
212	173	AM	0.08	1.34	160	173	AM	0.08	1.34
213	174	AM	0.08	1.34	161	174	AM	0.08	1.34
214	175	AM	0.08	1.34	162	175	AM	0.08	1.34
215	176	AM	0.08	1.34	163	176	AM	0.08	1.34
216	177	AM	0.08	1.34	164	177	AM	0.08	1.34
217	178	AM	0.08	1.34	165	178	AM	0.08	1.34
218	179	AM	0.08	1.34	166	179	AM	0.08	1.34
219									

**BE OUR GUEST.**

**STANHOPE**



When you stay with us in  
**BRUSSELS**  
stay in touch - with  
your complimentary copy  
of the

**FINANCIAL TIMES**  
FOR THE NEW EUROPE

**Have**

**Finan**

## NYSE COMPOSITE PRICES

[illegible]**NASDAQ NATIONAL MARKET**[illegible]

AMERICA Dow climbs on bonds and progress at Deere

Wall Street

US stocks rallied yesterday morning on news of a strong quarterly performance by Deere, the farm equipment manufacturer, and a more stable bond market, writes Frank McGarry in New York.

By 1 pm, the Dow Jones Industrial Average was 29.14 higher at 3,780.35, while the more broadly based Standard & Poor's 500 was 2.98 ahead at 465.28.

Volume on the Big Board was moderate, with 180m shares traded by early afternoon. Advancing issues led declines by a two to one margin.

In the secondary markets, the American SE composite was up 0.44 at 456.21, and the Nasdaq composite had risen 5.69 to 748.03.

After several weak sessions, stocks opened higher and advanced steadily through the morning. The improvement came as investors appeared to suspend nagging concerns over the impact of higher interest rates on corporate profitability.

The morning's most influential development was the release of a surprisingly robust earnings report by Deere.

In addition to revealing impressive gains in third-quarter revenue and net income, the company said that it was boosting its North American production schedule in view of an expanding economy and the improved outlook for US farm incomes.

The announcement triggered fresh enthusiasm for many

stocks whose performances are closely linked to broad economic trends. The rebound suggested that investors were uncertain about the direction of the economy in the coming months. At the very least, the company's results encouraged some bargain-hunting.

Deere was the greatest beneficiary of the mood swing, its share price jumping \$4 to \$70 in heavy volume of 1.3m shares.

Among the Dow industrials, Caterpillar set the pace with a gain of \$2 to \$109.94, while Allied Signal climbed \$1 to \$56.5.

Elsewhere, Cummins Engine improved \$1.4 to \$40 and Clark Equipment was up \$1.4 to \$28.7.

In the consumer non-durable sector, Philip Morris was \$1.16 better at \$56.4, though there was no obvious development pushing the share price forward.

Warner Lambert, viewed as the next likely takeover target in the pharmaceuticals sector, gained \$1.4 to \$30.4.

CBS added \$3 to \$31.5 a day after the expiration of the media group's offer to buy back up to 3.5m shares at \$32.5 each.

On the Nasdaq, takeover speculation brought solid gains to biotechnology stocks. Children's Biotech rose \$2.5 to \$55.4, Biogen was up \$1.1 to \$49.9 and Amgen added \$1.4 to \$56.4.

Lotus Development, \$1.75 to \$45.45 ahead, led the computer group.

Canada

Toronto stocks were mixed at

midday as the equity market continued to receive a boost from domestic bonds.

Gains in banking, pipeline and transportation stocks were offset by losses in gold and precious metals.

The TSX-300 composite index was up 18.92 at 4,205.34 in volume of 33.4m shares valued at C\$406m.

Declining issues outpaced advances by 284 to 228, with 286 unchanged.

The most active gold stock was TVX Gold, up C\$2 at C\$7.1 in 1.25m shares. Lac Minerals fell C\$2 to C\$13.4 in volume of 736,000 shares; a takeover offer by Royal Oak Mines was set to expire yesterday.

Mexico

The equity market remained in positive form with confirmation of victory in the weekend's general election by the ruling Institutional Revolutionary Party.

The IPC index of 37 leading shares had gained 34.21 or 1.2 per cent to 2,793.18 by mid-morning in high volume of 32.8m shares.

Brazil

Shares in São Paulo were down 1.8 per cent at midday as investors took profits after a rise in the market of nearly 30 per cent in local currency terms since the start of the month.

The Bovespa index was off 892 at 22,878 by 1 pm, in turnover of R\$201.8m (\$31.8m).

Telebras preferred shares were down 1.5 per cent at R\$51.60.

EUROPE VW punished for second-half forecast

Recovery in New York offered late-closing bourses a more comfortable afternoon, writes Our Markets Staff.

FRANKFURT found reasons to move and had a busier, volatile day. The Dax index was nearly 2 per cent lower at one point before it recovered to close 15.92 lower at 2,107.87, and before a post-bourse recovery to an Ibis-indicated 2,121.25, up 7.88 in 24 hours.

On Monday, the Dax had breached its 200 day moving average, said Ms Barbara Allmann at B Meteler in Frankfurt, and a fall to around 2,080 was indicated. However, after the key index hit its intraday low of 2,086.93, there was short covering in both equities and in bond futures, especially evident in the afternoon, this produced the later recovery.

Turnover rose from DM4.7bn to DM7.7bn. Disappointment hit Volkswagen after its chairman, Mr Ferdinand Piech, forecast lower German car orders in the second half of 1994. The shares dropped DM21.50 on the session to DM483, and recovered only DM2 after hours.

Profit taking left Mannesmann DM13 lower at DM38.50 but stocks which had been punished recently, like Deutsche Bank and Schering, made the most of the short-covering process, the bank ending the post-bourse up DM18.50 at DM697.50 and the pharmaceuticals group up DM18.10 at DM890.10 after a drop of DM26.50 in the previous week.

AMSTERDAM staged a partial recovery, although sentiment remained weak. The AEX index added 1.50 to 410.83.

Philips was among the gainers, adding 30 cents to F157.10 following news that Standard & Poor's, the ratings agency, had lifted its recommendation on the electronics group from stable to positive.

Gist-Brocades went against the trend, shedding 50 cents to F146.80, as investors continued to react to Monday's disappointing half-year results.

PARIS recovered all of Monday's losses on a technical bounce which came towards the end of the session following the opening of trading on Wall Street. The CAC-40 index added 28.00 or 1.4 per cent to 2,000.63.

Turnover was FF3.6bn. Euro Disney and Eurotunnel continued to dominate activity, with the former adding 25 cents at FF10.55 in volume of almost 2m shares and the latter unchanged at FF24.15 with 1.3m shares changing hands.

MILAN ended an uninspired session very slightly lower as trading volume eased from already depressed levels. The Comit index slipped 0.59 to 675.55.

One sector to show strength was insurance, with gains here coming towards the end of the day's trading on unconfirmed reports that the government might highlight the industry in the budget package. Generali rose L800 to L41,500 while RAS put on L1,000 to L25,800.

Olivetti was active for the second day, the shares rising L30 to L2,360 with a large block of shares crossing the market. Elsewhere Telecom Italia, advanced L150 to L4,590 while Stet fell L10 to L5,240.

MADRID broke a seven-day downtrend, although the general index only recovered 1.03 to 304.34 in a timid acknowledgment of the uptrend on Wall Street. Turnover was low at Ptas20.6bn.

ZURICH ended little changed, the SMI index easing 1.5 to 2,530.9 with Brown Boveri and Roche recovering SF9.50 to SF11.105, and SF155 to SF16,500 respectively.

STOCKHOLM retreated as a rise in domestic bond yields weighed on the equity market. The Affarsvarden general index lost 10.00 to L411.90.

Turnover was a light SKr1.9m, down from Monday's SKr3.1m.

The forest sector was a significant underperformer following worse than expected first half results from Stora, off SKr9 to SKr45.5. MoDo lost SKr5 to SKr54.

Banking stocks were also

depressed as profits were taken on strong results; Handelsbanken A lost SKr3 to SKr38.

COPENHAGEN, closing early in the day, fell 1.4 per cent, the KFX index ending 1.39 lower at a year's low of 97.83. However, the banking group, Unidanmark, climbed DKr11 to DKr231 on Tuesday's smaller than expected drop in pre-tax profits.

TEL AVIV rose for a second session following a sharp correction on Sunday which reflected the introduction of a capital gains tax. The Mishkanin index gained 18.90 or 2.7 per cent to 173.83.

ISTANBUL slid nearly 6 per cent in a bout of profit-taking triggered by volatility on the currency markets. The composite index fell 1,577.55 to 25,204.81, having seen a session low of 25,025.

The Turkish lira fell against the dollar after the central bank raised currency rates. However, analysts felt that the downturn could be attributed mainly to investors taking profits following the market's gain of some 21 per cent since August 5.

Written and edited by William Cochrane and John Pitt

FT-SE Actuaries Share Indices

Aug 23	Aug 24	Aug 25	Aug 26	Aug 27	Aug 28	Aug 29	Aug 30	Aug 31	Aug 31
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close	Close
FT-SE 100	1335.25	1336.38	1337.31	1336.57	1336.78	1342.38	1345.38	1347.78	1347.78
FT-SE 200	1267.67	1267.78	1268.61	1268.28	1268.14	1268.32	1267.53	1268.10	1268.10

Base 1000 (20/1/1982); Rights: 100 = 1346.44, 200 = 1458.48; London: 100 = 1334.00, 200 = 1268.25; Paris: 100 = 1334.00, 200 = 1268.25

Aug 22 Aug 19 Aug 18 Aug 17 Aug 16

FT-SE 100 1341.33 1352.29 1352.63 1352.77 1358.39

FT-SE 200 1400.60 1418.21 1418.01 1418.01 1414.61

Base 1000 (20/1/1982); Rights: 100 = 1346.44, 200 = 1458.48; London: 100 = 1334.00, 200 = 1268.25; Paris: 100 = 1334.00, 200 = 1268.25

Aug 22 Aug 19 Aug 18 Aug 17 Aug 16

FT-SE 100 1341.33 1352.29 1352.63 1352.77 1358.39

FT-SE 200 1400.60 1418.21 1418.01 1418.01 1414.61

Base 1000 (20/1/1982); Rights: 100 = 1346.44, 200 = 1458.48; London: 100 = 1334.00, 200 = 1268.25; Paris: 100 = 1334.00, 200 = 1268.25

Aug 22 Aug 19 Aug 18 Aug 17 Aug 16

FT-SE 100 1341.33 1352.29 1352.63 1352.77 1358.39

FT-SE 200 1400.60 1418.21 1418.01 1418.01 1414.61

Base 1000 (20/1/1982); Rights: 100 = 1346.44, 200 = 1458.48; London: 100 = 1334.00, 200 = 1268.25; Paris: 100 = 1334.00, 200 = 1268.25

Aug 22 Aug 19 Aug 18 Aug 17 Aug 16

FT-SE 100 1341.33 1352.29 1352.63 1352.77 1358.39

FT-SE 200 1400.60 1418.21 1418.01 1418.01 1414.61

Base 1000 (20/1/1982); Rights: 100 = 1346.44, 200 = 1458.48; London: 100 = 1334.00, 200 = 1268.25; Paris: 100 = 1334.00, 200 = 1268.25

Aug 22 Aug 19 Aug 18 Aug 17 Aug 16

FT-SE 100 1341.33 1352.29 1352.63 1352.77 1358.39

FT-SE 200 1400.60 1418.21 1418.01 1418.01 1414.61

Base 1000 (20/1/1982); Rights: 100 = 1346.44, 200 = 1458.48; London: 100 = 1334.00, 200 = 1268.25; Paris: 100 = 1334.00, 200 = 1268.25

Aug 22 Aug 19 Aug 18 Aug 17 Aug 16

FT-SE 100 1341.33 1352.29 1352.63 1352.77 1358.39

FT-SE 200 1400.60 1418.21 1418.01 1418.01 1414.61

Base 1000 (20/1/1982); Rights: 100 = 1346.44, 200 = 1458.48; London: 100 = 1334.00, 200 = 1268.25; Paris: 100 = 1334.00, 200 = 1268.25

Aug 22 Aug 19 Aug 18 Aug 17 Aug 16

FT-SE 100 1341.33 1352.29 1352.63 1352.77 1358.39

FT-SE 200 1400.60 1418.21 1418.01 1418.01 1414.61

Base 1000 (20/1/1982); Rights: 100 = 1346.44, 200 = 1458.48; London: 100 = 1334.00, 200 = 1268.25; Paris: 100 = 1334.00, 200 = 1268.25

Aug 22 Aug 19 Aug 18 Aug 17 Aug 16

FT-SE 100 1341.33 1352.29 1352.63 1352.77 1358.39

FT-SE 200 1400.60 1418.21 1418.01 1418.01 1414.61

Base 1000 (20/1/1982); Rights: 100 = 1346.44, 200 = 1458.48; London: 100 = 1334.00, 200 = 1268.25; Paris: 100 = 1334.00, 200 = 1268.25

Aug 22 Aug 19 Aug 18 Aug 17 Aug 16

FT-SE 100 1341.33 1352.29 1352.63 1352.77 1358.39

FT-SE 200 1400.60 1418.21 1418.01 1418.01 1414.61

Base 1000 (20/1/1982); Rights: 100 = 1346.44, 200 = 1458.48; London: 100 = 1334.00, 200 = 1268.25; Paris: 100 = 1334.00, 200 = 1268.25

Aug 22 Aug 19 Aug 18 Aug 17 Aug 16

FT-SE 100 1341.33 1352.29 1352.63 1352.77 1358.39

FT-SE 200 1400.60 1418.21 1418.01 1418.01 1414.61

Base 1000 (20/1/1982); Rights: 100 = 1346.44, 200 = 1458.48; London: 100 = 1334.00, 200 = 1268.25; Paris: 100 = 1334.00, 200 = 1268.25

Aug 22 Aug 19 Aug 18 Aug 17 Aug 16

FT-SE 100 1341.33 1352.29 1352.63 1352.77 1358.39

FT-SE 200 1400.60 1418.21 1418.01 1418.01 1414.61

Base 1000 (20/1/1982); Rights: 100 = 1346.44, 200 = 1458.48; London: 100 = 1334.00, 200 = 1268.25; Paris: 100 = 1334.00, 200 = 1268.25

Aug 22 Aug 19 Aug 18 Aug 17 Aug 16

FT-SE 100 1341.33 1352.29 1352.63 1352.77 1358.39

FT-SE 200 1400.60 1418.21 1418.01 1418.01 1414.61

Base 1000 (20/1/1982); Rights: 100 = 1346.44, 200 = 1458.48; London: 100 = 1334.00, 200 = 1268.25; Paris: 100 = 1334.00, 200 = 1268.25

Aug 22 Aug 19 Aug 18 Aug 17 Aug 16

FT-SE 100 1341.33 1352.29 1352.63 1352.77 1358.39

FT-SE 200 1400.60 1418.21 1418.01 1418.01 1414.61

Base 1000 (20/1/1982); Rights: 100 = 1346.44, 200 = 1458.48; London: 100 = 1334.00, 200 = 1268.25; Paris: 100 = 1334.00, 200 = 1268.25

Monetary policies key to Brussels revival

The bourse has outperformed this year, especially in dollar terms, writes Emma Tucker

August may be a sleepy month in Belgium but the Brussels stock exchange, at least, had reasons to rest on a late July and early August rally which surprised observers, coming immediately after a 1994 market low on July 13.

Buoyed up by much better than expected half-year results from some of Belgium's biggest blue-chip companies, the Bel-20 weighted index of the 20 largest stocks rose 6.6 per cent to 1,455.54 in a little under four weeks to August 8, against the high of 1,542.65 it reached early in February.

In those few weeks we saw a clear rally in industrial company stock after a very bad June," said Mr Michel Ernst, investment research manager at Dewaay, the Brussels-based brokers.

Belgium has outperformed other continental European stock markets since the beginning of the year, especially if the strength of its currency is taken into account.

Measured by the FT-Actuaries World Indices, Brussels had risen by 8.1 per cent in terms of the weakening dollar by last Friday, against a 2.6 per cent gain for Europe as a whole.

The country's relatively better showing can be explained partly by a succession of small but steady cuts in short term interest rates since January. Having taken longer to act last year than some of its neighbours, the central bank changed its pace at the start of the year, contributing to a climate of good sentiment through some 25 small rate cuts.

Also helping to keep the market steady has been the absence of new issues, unlike the situation in France, for example, where the privatisation programme produced a

good deal of new paper.

"In Belgium there has been virtually nothing," said one London-based broker. "There has been no new paper around for people to buy."

Further, macroeconomic news has been more promising than last year, when the economy remained locked in recession.

In its recent budget statement the government was confident that it would not have to raise taxes or cut spending in order to meet next year's budget deficit target of 4.3 per cent of gross domestic product, thanks to higher than expected growth.

Although the government's comments helped stem some of the worst fears about Belgium's huge deficit problems, certain analysts are sceptical about the official growth fore-

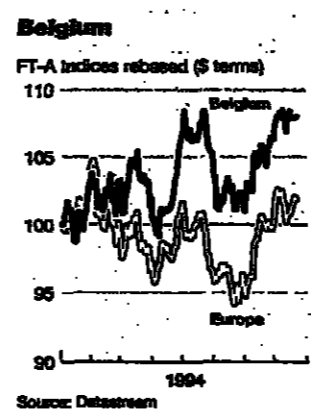
cast. "The government has based its forecast on a pick-up in consumption in 1994, as people reduce their savings. We don't think that will happen. So far

there have been no signs of any real improvement in domestic consumption," said Mr Ernst.

The pleasant surprises that prompted the recent rally came from the interim results of Belgium's big petrochemicals and pharmaceuticals companies, Solvay, UCB, and Petrofina.

Petrofina, the biggest of Belgium's energy groups, announced that recovery in petrochemical activities and gains from asset sales helped lift interim profits to FF15.2bn in the first half of the year compared with FF13.5bn a year ago. This came after similarly encouraging results from Solvay and UCB.

Thanks to the results from the blue chips, the outlook is good. Brokers have been urging clients to buy industrial stocks, with expectations high



Source: Datastream

R.S.V.I.P.s

FT IMF/World Economy and Finance Survey

This Autumn IMF and World Bank decision makers will gather in Madrid for their annual meeting. On Friday, September 30 to coincide with this important event, the Financial Times will publish its IMF/World Economy and Finance survey.

It will provide authoritative, comprehensive and up to the minute background to the proceedings in Madrid. As a consequence it will be essential reading for all those who bring influence to bear on the world economy.

The Financial Times will be widely distributed at the conference and the survey will appear every day in those issues circulated at the meeting. What this provides is the perfect medium for you to speak directly to this select body of people.

If you would like to advertise in the FT IMF/World Economy and Finance Survey contact Hannah Pursall in London on +44 71 873 4167 or your usual Financial Times representative.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. In conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	MONDAY AUGUST 22 1994										TUESDAY AUGUST 23 1994										WEDNESDAY AUGUST 24 1994										THURSDAY AUGUST 25 1994										FRIDAY AUGUST 26 1994										SATURDAY AUGUST 27 1994										SUNDAY AUGUST 28 1994									
	US Dollar Index	Day's Change %	Found Shifting Index	Yen Index	DM Index	Local Currency Index	% chg on day	Gross Div. Yield	US Dollar Index	Day's Change %	Found Shifting Index	Yen Index	DM Index	Local Currency Index	% chg on day	Gross Div. Yield	US Dollar Index	Day's Change %	Found Shifting Index	Yen Index	DM Index	Local Currency Index	% chg on day	Gross Div. Yield	US Dollar Index	Day's Change %	Found Shifting Index	Yen Index	DM Index	Local Currency Index	% chg on day	Gross Div. Yield	US Dollar Index	Day's Change %	Found Shifting Index	Yen Index	DM Index	Local Currency Index	% chg on day	Gross Div. Yield																														
Australia (58)	173.80	-0.2	166.23	107.62	138.33	156.91	0.1	3.51	174.13	0.08	166.23	107.62	138.33	156.91	0.1	3.51	174.13	0.08	166.23	107.62	138.33	156.91	0.1	3.51	174.13	0.08	166.23	107.62	138.33	156.91	0.1	3.51	174.13	0.08	166.23	107.62	138.33	156.91	0.1	3.51																														
Austria (17)	182.28	-0.8	153.96	115.11	153.10	153.20	-1.2	1.04	182.18	-0.89	153.96	115.11	153.10	153.20	-1.2	1.04	182.18	-0.89	153.96	115.11	153.10	153.20	-1.2	1.04	182.18	-0.89	153.96	115.11	153.10	153.20	-1.2	1.04	182.18	-0.89	153.96	115.11	153.10	153.20	-1.2	1.04																														
Belgium (10)	173.91	-0.1	166.23	107.62	138.33	156.91	0.1	3.51	174.13	0.08	166.23	107.62	138.33	156.91	0.1	3.51	174.13	0.08	166.23	107.62	138.33	156.91	0.1	3.51	174.13	0.08	166.23	107.62	138.33	156.91	0.1	3.51	174.13	0.08	166.23	107.62	138.33	156.91	0.1	3.51																														
Canada (104)	123.75	0.1	124.08	80.34	103.27	123.24	0.1	2.62	123.65	0.28	124.10	80.37	103.27	123.25	0.14	2.62	123.65	0.28	124.10	80.37	103.27	123.25	0.14	2.62	123.65	0.28	124.10	80.37	103.27	123.25	0.14	2.62	123.65	0.28	124.10	80.37	103.27	123.25	0.14	2.62																														
Denmark (33)	263.23	-0.4	251.75	162.99	200.50	216.90	-1.1	1.37	263.43	-0.33	252.12	164.54	211.67	219.22	-0.28	1.37	263.43	-0.33	252.12	164.54	211.67	219.22	-0.28	1.37	263.43	-0.33	252.12	164.54	211.67	219.22	-0.28	1.37	263.43	-0.33	252.12	164.54	211.67	219.22	-0.28	1.37																														
Finland (24)	172.10	-1.9	164.80	106.37	135.87	180.51	0.8	0.78	168.98	-0.11	165.10	105.13	135.25	176.28	0.72	0.78	168.98	-0.11	165.10	105.13	135.25	176.28	0.72	0.78	168.98	-0.11	165.10	105.13	135.25	176.28	0.72	0.78	168.98	-0.11	165.10	105.13	135.25	176.28	0.72	0.78																														
France (10)	174.30	-0.7	174.30	107.62	138.33	156.91	0.1	3.51	174.30	-0.7	174.30	107.62	138.33	156.91	0.1	3.51	174.30	-0.7	174.30	107.62	138.33	156.91	0.1	3.51	174.30	-0.7	174.30	107.62	138.33	156.91	0.1	3.51	174.30	-0.7	174.30	107.62	138.33	156.91	0.1	3.51																														
Germany (68)	147.25	-0.3	140.83	91.18	117.17	117.19	-0.3	0.78	147.17	-0.37	141.48	91.18	117.26	118.28	-0.17	0.78	147.17	-0.37	141.48	91.18	117.26	118.28	-0.17	0.78	147.17	-0.37	141.48	91.18	117.26	118.28	-0.17	0.78	147.17	-0.37	141.48	91.18	117.26	118.28	-0.17	0.78																														
Hong Kong (66)	304.11	0.1	367.37	257.65	305.72	361.04	0.1	3.19	305.63	0.07	367.37	258.07	307.04	360.80	0.06	3.19	305.63	0.07	367.37	258.07	307.04	360.80	0.06	3.19	305.63	0.07	367.37	258.07	307.04	360.80	0.06	3.19	305.63	0.07	367.37	258.07	307.04	360.80	0.06	3.19																														
India (10)	18.10	0.1	18.10	107.62	138.33	156.91	0.1	3.51	18.10	0.1	18.10	107.62	138.33	156.91	0.1	3.51	18.10	0.1	18.10	107.62	138.33	156.91	0.1	3.51	18.10	0.1	18.10	107.62	138.33	156.91	0.1	3.51	18.10	0.1	18.10	107.62	138.33	156.91	0.1	3.51																														
Italy (58)	159.37	0.2	159.37	107.62	138.33	156.91	0.1	3.51	159.37	0.2	159.37	107.62	138.33	156.91	0.1	3.51	159.37	0.2	159.37	107.62	138.33	156.91	0.1	3.51	159.37	0.2	159.37	107.62	138.33	156.91	0.1	3.51	159.37	0.2	159.37	107.62	138.33	156.91	0.1	3.51																														
Japan (40)	162.08	0.4	159.19	103.32	132.81	103.32	-0.4	0.74	160.69	0.58	159.19	103.34	133.40	103.34	-0.70	0.74	160.69	0.58	159.19	103.34	133.40	103.34	-0.70	0.74	160.69	0.58	159.19	103.34	133.40	103.34	-0.70	0.74	160.69	0.58	159.19	103.34	133.40	103.34	-0.70	0.74																														
Malaysia (97)	198.08	0.1	198.08	107.62	138.33	156.91	0.1	3.51	198.08	0.1	198.08	107.62	138.33	156.91	0.1	3.51	198.08	0.1	198.08	107.62	138.33	156.91	0.1	3.51	198.08	0.1	198.08	107.62	138.33	156.91	0.1	3.51	198.08	0.1	198.08	107.62	138.33	156.91	0.1	3.51																														
Netherlands (27)	223.81	-0.1	223.81	107.62	138.33	156.91	0.1	3.51	223.81	-0.1	223.81	107.62	138.33	156.91	0.1	3.51	223.81	-0.1	223.81	107.62	138.33	156.91	0.1	3.51	223.81	-0.1	223.81	107.62	138.33	156.91	0.1	3.51	223.81	-0.1	223.81	107.62	138.33	156.91	0.1	3.51																														
New Zealand (14)	70.92	-0.1	67.43	43.92	54.45	62.82	0.1	3.80	70.94	-0.08	67.44	44.01	54.70	62.77	0.78	3.80	70.94	-0.08	67.44	44.01	54.70	62.77	0.78	3.80	70.94	-0.08	67.44	44.01	54.70	62.77	0.78	3.80	70.94	-0.08	67.44	44.01	54.70	62.77	0.78	3.80																														
Norway (29)	203.28	0.2	200.18	129.89	186.56	191.37	-0.3	1.73	203.47	0.08	200.18	129.96	186.56	191.37	-0.3	1.73	203.47	0.08	200.18	129.96	186.56	191.37	-0.3	1.73	203.47	0.08	200.18	129.96	186.56	191.37	-0.3	1.73	203.47	0.08	200.18	129.96	186.56	191.37	-0.3	1.73																														
Portugal (10)	151.50	-0.1	151.50	107.62	138.33	156.91	0.1	3.51	151.50	-0.1	151.50	107.62	138.33	156.91	0.1	3.51	151.50	-0.1	151.50	107.62	138.33	156.91	0.1	3.51	151.50	-0.1	151.50	107.62	138.33	156.91	0.1	3.51	151.50	-0.1	151.50	107.62	138.33	156.91	0.1	3.51																														
South Africa (59)	301.00	-0.6	297.19	196.39	230.57	298.08	-1.1	2.09	303.78	-0.38	297.19	196.39	230.57	298.08	-1.1	2.09	303.78	-0.38	297.19	196.39	230.57	298.08	-1.1	2.09	303.78	-0.38	297.19	196.39	230.57	298.08	-1.1	2.09	303.78	-0.38	297.19	196.39	230.57	298.08	-1.1	2.09																														
Spain (42)	141.74	-0.2	135.86	87.77	112.81	137.41	-0.8	0.41	142.02	-0.20	135.86	88.40	113.88	135.82	-0.53	0.41	142.02	-0.20	135.86	88.40	113.88	135.82	-0.53	0.41	142.02	-0.20	135.86	88.40	113.88	135.82	-0.53	0.41	142.02	-0.20	135.86	88.40	113.88	135.82	-0.53	0.41																														
Sweden (28)	218.43	-1.5	206.91	135.28	173.96	244.84	-0.7	1.83	219.25	-1.00	206.91	135.28	173.96	244.84	-0.7	1.83	219.25	-1.00	206.91	135.28	173.96	244.84	-0.7	1.83	219.25	-1.00	206.91	135.28	173.96	244.84	-0.7	1.83	219.25	-1.00	206.91	135.28	173.96	244.84	-0.7	1.83																														
Switzerland (10)	161.50	-0.1	161.50	107.62	138.33	156.91	0.1	3.51	161.50	-0.1	161.50	107.62	138.33	156.91	0.1	3.51	161.50	-0.1	161.50	107.62	138.33	156.91	0.1	3.51	161.50	-0.1	161.50	107.62	138.33	156.91	0.1	3.51	161.50	-0.1	161.50	107.62	138.33	156.91	0.1	3.51																														
United Kingdom (204)	200.81	-0.4	192.05	124.34	159.92	192.05	-0.6	2.95	201.88	-0.58	192.05	124.34	159.92	192.05	-0.6	2.95	201.88	-0.58	192.05	124.34	159.92	192.05	-0.6	2.95	201.88	-0.58	192.05	124.34	159.92	192.05	-0.6	2.95	201.88	-0.58	192.05	124.34	159.92	192.05	-0.6	2.95																														
USA (519)	188.98	-0.3	188.98	116.86	150.33	188.98	0.3	3.65	189.42	-0.18	188.98	116.86	150.33	188.98	0.3	3.65	189.42	-0.18	188.98	116.86	150.33	188.98	0.3	3.65	189.42	-0.18	188.98	116.86	150.33	188.98	0.3	3.65	189.42	-0.18	188.98	116.86	150.33	188.98	0.3	3.65																														
EUROPE (118)	173.73	-0.1	166.23	107.62	138.33	156.91	-0.6	3.01	174.02	-0.08	166.23	107.62	138.33	156.91	-0.6	3.01	174.02	-0.08	166.23	107.62	138.33	156.91	-0.6	3.01	174.02	-0.08	166.23	107.62	138.33	156.91	-0.6	3.01	174.02	-0.08	166.23	107.62	138.33	156.91	-0.6	3.01																														
Northern (116)	216.80	-1.0	207.35	134.25	175.27	206.77	-0.5	1.43	217.00	-0.57	207.35	134.27	175.82	207.18	-0.20	1.43	217.00	-0.57	207.35	134.27	175.82	207.18	-0.20	1.43	217.00	-0.57	207.35	134.27	175.82	207.18	-0.20	1.43	217.00	-0.57	207.35	134.27	175.82	207.18	-0.20	1.43																														
Pacific Basin (748)	175.29	0.1	167.84	108.73	136.76	116.92	0.5	0.75	175.43	0.07	167.84	108.73	136.76	116.92	0.5	0.75	175.43	0.07	167.84	108.73	136.76	116.92	0.5	0.75	175.43	0.07	167.84	108.73	136.76	116.92	0.5	0.75	175.43	0.07	167.84	108.73	136.76	116.92	0.5	0.75																														
South America (23)	176.51	-0.4	176.51	107.62	138.33	156.91	0.1	3.51	176.51	-0.4	176.51	107.62	138.33	156.91	0.1	3.51	176.51	-0.4	176.51	107.62	138.33	156.91	0.1	3.51	176.51	-0.4	176.51	107.62	138.33	156.91	0.1	3.51	176.51	-0.4	176.51	107.62	138.33	156.91	0.1	3.51																														
Europe Ex. UK (514)	155.42	0.0	146.85	90.34	123.70	132.21	-0.6	2.45	155.40	0.04	146.85	90.34	123.70	132.21	-0.6	2.45	155.40	0.04	146.85	90.34	123.70	132.21	-0.6	2.45	155.40	0.04	146.85	90.34	123.70	132.21	-0.6	2.45	155.40	0.04	146.85	90.34	123.70	132.21	-0.6	2.45																														
Pacific Ex. Japan (279)	261.50	-0.1	250.10	161.80																																																																		